



THE  
ECONOMIC JOURNAL.

THE JOURNAL OF

The Royal Economic Society .

EDITED BY  
JOHN MAYNARD KEYNES

*VOLUME XXVI*

London  
MACMILLAN AND CO., LIMITED

NEW YORK: THE MACMILLAN COMPANY

1916





# THE ROYAL ECONOMIC SOCIETY.

## Correspondents:

Prof. H. STANLEY JEVONS for INDIA (University of Allahabad).	Prof. A. ANDRÉADES for GREECE (University of Athens).
Mr. A. DUCKWORTH „ NEW SOUTH WALES (Australian Mutual Provident Society, Sydney).	Prof. LE BARON D'AULNIS DE BOUROUILLE for HOLLAND (University of Utrecht).
Prof. JAMES HIGHT „ NEW ZEALAND (Canterbury College).	Prof. LOUIS LANG „ HUNGARY (University of Budapest).
Prof. R. A. LEHFELDT „ SOUTH AFRICA (School of Mines and Technology, Johannesburg).	Prof. A. LORIA „ ITALY (University of Turin).
Prof. E. PHILIPPOVICH „ AUSTRIA (University of Vienna).	Mr. JIUCHI SOYEDA „ JAPAN (Industrial Bank of Japan, Tokyo).
Prof. E. MAHAIM „ BELGIUM (University of Liège).	Prof. A. A. TCHOUPOV „ RUSSIA (Polytechnical Institute, Petrograd).
Prof. H. WESTERGAARD „ DENMARK (University of Copenhagen).	Prof. F. BERNIS „ SPAIN (University of Salamanca).
Prof. CHARLES GIDE „ FRANCE (University of Paris).	Prof. G. CASSEL „ SWEDEN (University of Stockholm).
Prof. GUSTAV COHN „ GERMANY (University of Göttingen).	Prof. E. R. A. SELIGMAN „ UNITED STATES (Columbia University, New York).

THE ROYAL ECONOMIC SOCIETY (incorporated by Royal Charter, 1902) was founded, under the name of the BRITISH ECONOMIC ASSOCIATION, at a meeting held at University College, London, on November 20th, 1890, the Right Hon. G. J. Goschen, M.P. (the late Viscount Goschen), in the Chair.

The Society has for its object the general advancement of economic knowledge.

The Journal of the Society, published quarterly by Messrs. Macmillan and Co., Ltd., London, and sent post free to Fellows, is intended to represent the various shades of economic opinion, and to be the organ, not of one school of economists, but of all. The Journal numbers among its contributors the leading economists of all countries. Fellows are entitled, in addition to the Journal, to copies of sundry other publications issued by the Society from time to time.

Apart from the Annual Meeting, a Congress of the Society has been periodically convened for the discussion of social and economic questions, and opportunity has thus been afforded for the reunion of Fellows.

By arrangements with the Royal Statistical Society and the London School of Economics, Fellows of the Royal Economic Society may obtain from the Secretary a card entitling them to the use of the valuable libraries of those institutions.

Libraries of a public or semi-public character are admitted to subscribing membership on special terms, which can be obtained on application to the Secretary.

# ROYAL ECONOMIC SOCIETY

**Patron—HIS MAJESTY THE KING.**

## Council:

**THE RIGHT HON. VISCOUNT HALDANE OF CLOAN, O.M., F.R.S., *President.***

THE RIGHT HON. A. J. BALFOUR, M.P., O.M., F.R.S.	} <i>Vice-Presidents.</i>
THE RIGHT HON. VISCOUNT BRYCE, O.M., F.R.S.	
THE RIGHT HON. LORD COURTNEY OF PENWITH.	
DR. ALFRED MARSHALL, F.B.A.	
THE RIGHT HON. VISCOUNT MILNER, G.C.B.	
THE RIGHT HON. VISCOUNT MORLEY OF BLACKBURN, O.M., F.R.S.	

Mr. W. M. ACWORTH.  
Sir CHARLES ADDIS.  
Mr. G. ARMITAGE-SMITH.  
Professor W. J. ASHLEY.  
Mr. ERNEST AVES.  
Professor C. F. BASTABLE (*Member of Editorial Board*).  
Dr. A. L. BOWLEY.  
Professor EDWIN CANNAN (*Member of Editorial Board*).  
Professor S. J. CHAPMAN.  
The Ven. Archdeacon W. CUNNINGHAM, F.B.A.  
Professor F. Y. EDGEWORTH, F.B.A. (*Chairman of Editorial Board*).  
Sir T. H. ELLIOTT, K.C.B. (*Hon. Secretary*).  
Mr. A. W. FLUX.  
Professor H. S. FOXWELL, F.B.A. (*Hon. Secretary*).  
Professor E. C. K. GONNER.

Mr. HENRY HIGGS, C.B.  
Mrs. KNOWLES.  
Sir CHARLES S. LOCH.  
Sir J. MACDONELL, C.B.  
Sir BERNARD MALLET, K.C.B.  
Professor J. S. NICHOLSON, F.B.A. (*Member of Editorial Board*).  
Sir R. H. INGLIS PALGRAVE, F.R.S.  
The Rev. L. R. PHELPS.  
Professor A. C. PIGOU.  
Mr. L. L. PRICE (*Hon. Secretary*).  
The Right Hon. HERBERT L. SAMUEL, M.P.  
Sir FELIX SCHUSTER, Bart.  
Professor W. R. SCOTT, Litt.D.  
Mr. H. B. LEES SMITH, M.P.  
Sir H. LLEWELLYN SMITH, K.C.B.  
Mr. SIDNEY WEBB.  
Mr. HARTLEY WITHERS.

Mr. ALFRED HOARE, *Hon. Treasurer.*

Mr. J. M. KEYNES, *Editor and Secretary.*

Mr. E. J. HICKS, *Asst. Secretary.*

**Applications for Fellowship** should be addressed to the SECRETARY, Royal Economic Society, 9, Adelphi Terrace, London, W.C. The Annual Subscription is a Guinea. Any Fellow may compound for his future yearly payments by a Life Subscription of Ten Guineas. There is at present no entrance fee. For the objects of the Society and the privileges of Fellows see the Inside of this Cover.

**Editorial Communications** should be addressed to J. M. KEYNES, Esq., King's College, Cambridge.

*All communications respecting Advertisements to be sent to*  
Messrs. MACMILLAN & Co., Ltd., St. Martin's Street, London, W.C.

# INDEX TO THE ECONOMIC JOURNAL

## VOLUME XXVI

### ARTICLES :—

	PAGE
Abram, A., Women Traders in Medieval London ... ..	276
Ashley, Prof. W. J., The Task of the Welfare Supervisor ... ..	448
Ashton, T. S., The Relation between Unemployment and Sickness ... ..	396
Bedford, H. D., The Monetary Difficulties of Early Colonisation in New Zealand ... ..	257
Bell, Sir Hugh, Should we Capture German Trade ? ... ..	20
Carter, G. R., The Triple Alliance of Labour ... ..	380
Cassel, Prof. G., The Present Situation of the Foreign Exchanges. I. ... ..	62
Cassel, Prof. G., The Present Situation of the Foreign Exchanges. II. ... ..	319
Clapham, J. H., The Spitalfields Acts, 1773-1824 ... ..	459
Correspondent, A, The Dilution of Skilled Labour ... ..	28
Foxwell, Prof. H. S., Ways and Means ... ..	1
Gide, Prof. Ch., The Provisioning of France and Measures to that End ... ..	35
Gide, Prof. Ch., The Commercial Policy of France after the War ... ..	441
Hutchins, Miss B. L., The Position of the Woman Worker after the War ... ..	183
Lehfeldt, Prof. R. A., British Industry after the War ... ..	306
Loveday, A., German War Finance in 1914 ... ..	44
Nicholson, Prof. J. S., Inflation of the Currency and the Rise in Prices... ..	425
O'Farrell, H. H., British and German Export Trade before the War ... ..	161
Pigou, Prof. A. C., Interest after the War and the Export of Capital ... ..	413
Rawson, S. W., War and Wages in the Iron, Coal, and Steel Industries ... ..	174
Sanders, T. H., Japan's Financial Opportunities... ..	192
Scott, Leslie, K.C., M.P., Ex-Service Men on the Land... ..	324
Seligman, Prof. E. R. A., Economic Influence of the War on the United States ... ..	145
Soyeda, J., The War and Japanese Finance ... ..	297
Stocks, Mrs. M., German Potato Policy ... ..	57
Stocks, Mrs. M., The Meat Problem in Germany... ..	168
Wicksell, Prof. K., The Scandinavian Gold Policy ... ..	313

### REVIEW-ARTICLES :—

Acworth, W. M., Recent Memoranda on Railway Topics ... ..	114
Addis, Sir Charles, A British Trade Bank... ..	484
Bosanquet, Helen, Women in Industry ... ..	209
Cannan, Prof. E., Report on British Industry after the War ... ..	97

REVIEW-ARTICLES (*continued*) :—

	PAGE
Cannan, Prof. E., <i>A Study in Malthusianism</i> ... ..	218
Cannan, Prof. E., <i>The Report on Food Prices</i> ... ..	472
Edgeworth, Prof. F. Y., <i>British Incomes and Property</i> ...	328
Fay, C. R., <i>German and British Agriculture</i> ... ..	481
Nicholson, Prof. J. S., <i>Friedrich List: The Prophet of the New Germany</i> ...	92
Nicholson, Prof. J. S., <i>Central Europe after the War</i> ... ..	200
Orwin, C. S., <i>Reports on Home Production of Food</i> ... ..	105
Price, L. L., <i>The Economics of the War and its Sequel</i> ...	491
Scott, Prof. W. R., <i>The Mystery of the Medieval Draper</i> ... ..	507

## REVIEWS :—

Banerjea, P., <i>Public Administration in Ancient India</i> . By Prof. Rhys Davids ... ..	519
Barnett, Canon and Mrs. S. A., <i>Practicable Socialism</i> . New Series. By H. Sanderson Furniss ... ..	90
Bogart, E. L., and Thompson, C. M., <i>Readings in Economic History of United States</i> . By Mrs. Knowles ... ..	516
Böhm-Bawerk, E. von, <i>Kapital und Kapitalzins; Geschichte und Kritik der Kapitalzinstheorien</i> . By James Bonar ... ..	68
Brown, H. G., <i>Foreign Exchange</i> . By Hartley Withers ... ..	345
Brown, H. G., <i>International Trade</i> . By C. F. Bickerdike ... ..	346
Brown, H. G., <i>Transportation Rates</i> . By C. F. Bickerdike ... ..	348
Butler, C. V., <i>Domestic Service</i> . By Miss B. L. Hutchins ... ..	361
Clarke, John J., <i>Outlines of English Local Government</i> . By H. S. Furniss ... ..	527
Clay, Henry, <i>Economics</i> . By H. S. Furniss ... ..	350
Cleveland-Stevens, E., <i>English Railways: Their Development and Their Relation to the State</i> . By W. M. Acworth ... ..	80
Diehl, Karl, <i>Zur Frage eines Zollbündnisses zwischen Deutschland und Ostro-Ungarn</i> . By Prof. J. S. Nicholson ... ..	524
Drury, H. B., <i>Scientific Management</i> . By L. Alston ... ..	359
Durand, E. Dana, <i>The Trust Problem</i> . By H. W. Macrosty ... ..	353
Edgeworth, Prof. F. Y., <i>On the Relations of Political Economy to War; The Cost of War, and ways of reducing it suggested by Economic Theory</i> . By D. H. Robertson ... ..	66
Eltzbacher, P., <i>Die deutsche Volksernährung und der englische Aushungerungsplan</i> . By A. Loveday ... ..	73
Escher, Franklin, <i>Elements of Foreign Exchange</i> . By Hartley Withers ... ..	345
Evans, M. S., <i>Black and White in the Southern States</i> . By Miss H. Reynard ... ..	249
Gantt, H. L., <i>Industrial Leadership</i> . By P. Sargant Florence ... ..	356
Gras, N. S. B., <i>Evolution of English Corn Market</i> . By Prof. G. Unwin ... ..	514
Hauser, H., <i>Les méthodes allemandes d'expansion économique</i> . By S. W. Rawson ... ..	233
Hoare, H. J., <i>Old Age Pensions</i> . By Miss C. V. Butler ... ..	254
Hobson, J. A., <i>The New Protectionism</i> . By Prof. E. Cannan ... ..	365
Ingram, J. Kells, <i>A History of Political Economy</i> . By L. L. Price ... ..	83
Jevons, H. Stanley, <i>The British Coal Trade</i> . By G. R. Carter ... ..	240
Kaufmann, W., <i>Die Einwirkung des Krieges auf die direkten Steuern im Königreiche Sachsen</i> . By M. Epstein ... ..	89
King, W. I., <i>The Wealth and Income of the United States</i> . By C. K. Hobson ... ..	252
Kirkaldy, A. W., <i>Credit, Industry, and the War</i> . By Hartley Withers ... ..	76
Lachapelle, G., <i>Nos Finances pendant la Guerre</i> . By A. Loveday ... ..	71

REVIEWS (continued):—

	PAGE
Lambert, H., <i>International Morality and Exchange</i> . By Prof. E. Cannan ... ..	365
Millioud, M., <i>The Ruling Caste and Frenzied Trade in Germany</i> . By Wynnard Hooper ... ..	237
Pigou, Prof. A. C., <i>The Economy and Finance of the War</i> . By Prof. F. Y. Edgeworth ... ..	223
Preziosi, G., <i>La Germania alla Conquista dell'Italia</i> . By Prof. F. Y. Edgeworth ... ..	230
Rankin, Mary T., <i>Arbitration and Conciliation in Australasia</i> . By L. L. Price ... ..	362
Report on Women and Child Wage Earners in the United States. By Miss B. L. Hutchins ... ..	525
Robertson, D. H., <i>A Study of Industrial Fluctuation</i> . By Prof. E. Cannan ... ..	228
Sellers, Maud, <i>The York Memorandum Book</i> . By J. H. Clapham ...	363
Shaw, A. W., <i>Some Problems in Market Distribution</i> . By P. Sargant Florence ... ..	356
Sorel, Georges, <i>Reflections on Violence</i> . By Sidney Ball ... ..	337
Spalding, W. F., <i>Foreign Exchange in Theory and Practice</i> . By Hartley Withers ... ..	343
Strutz, G., <i>Einkommensteuerverpflichtung und Einkommensteuerveranlagung im Kriege</i> . By M. Epstein ... ..	89
Struve, P. B., <i>Khosyaistvo I Tsena</i> . Part I. By S. Rapoport ...	85
Struve, P. B., <i>Khosyaistvo I Tsena</i> . Part II. By S. Rapoport ...	521
Taussig, F. W., <i>Inventors and Money-Makers</i> . By L. L. Price ...	248
Withers, Hartley, <i>International Finance</i> . By L. L. Price ... ..	341
Zahn, F., <i>Wirkung der deutschen Sozialversicherung ; mit Nachtrag : Die Sozialversicherung und der jetzige Krieg</i> . By M. Epstein ...	88

NOTES AND MEMORANDA :—

Horne, Prof. E. A., <i>Some Family Budgets from Bihar</i> ... ..	369
Leppington, C. H. d'E., <i>Report of the U.S. Bureau of Labour upon Food Prices</i> ... ..	124
Leppington, C. H. d'E., <i>The Demand for Labour as shown by Rates of Wages offered by Employers</i> ... ..	533
M. E., <i>The Retirement of Prof. Wagner, of Berlin</i> ... ..	130
Moreland, W. H., <i>The Indian Prices Inquiry</i> ... ..	122
Raffalovich, A., <i>Russian Financial Policy (1862-1914)</i> ... ..	528

OFFICIAL PAPERS :—

129, 401

OBITUARY :—

Booth, Charles. By Ernest Aves ... ..	537
Keeling, Frederic Hillersdon. By J. M. K. ... ..	403
Leroy-Beaulieu, Paul ... ..	545
Mason, William John. By Prof. Edwin Cannan ... ..	401
Muller, O. V. ... ..	544
Turner, S. H. By W. R. S. ... ..	542

NOTES ON CURRENT TOPICS ... .. 132, 285, 404, 546

RECENT PERIODICALS AND NEW BOOKS ... .. 135, 290, 406, 549

## REVIEWERS :—

- |                                   |                                  |
|-----------------------------------|----------------------------------|
| Acworth, W. M., 80.               | Hobson, C. K., 252.              |
| Alston, L., 359.                  | Hooper, Wynnard, 237.            |
| Ball, Sidney, 337.                | Hutchins, Miss B. L., 361, 525.  |
| Bickerdike, C. F., 346, 348.      | Knowles, Mrs., 516.              |
| Bonar, James, 68.                 | Loveday, A., 71, 73.             |
| Butler, Miss C. V., 254.          | Macrosty, H. W., 353.            |
| Cannan, Prof. E., 228, 365.       | Nicholson, Prof. J. S., 524.     |
| Carter, G. R., 240.               | Price, L. L., 83, 248, 341, 362. |
| Clapham, Dr. J. H., 363.          | Rapoport, Semen, 85, 521.        |
| Davids, Prof. Rhys, 519.          | Rawson, S. W., 233.              |
| Edgeworth, Prof. F. Y., 223, 230. | Reynard, Miss H., 249.           |
| Epstein, M., 88, 89.              | Robertson, D. H., 66.            |
| Florence, P. Sargent, 356.        | Unwin, Prof. G., 514.            |
| Furniss, H. S., 90, 350.          | Withers, Hartley, 76, 343, 345.  |

**THE**  
**ECONOMIC JOURNAL**  
**VOLUME XXVI.**





MACMILLAN AND CO., LIMITED  
LONDON . BOMBAY . CALCUTTA  
MELBOURNE

THE MACMILLAN COMPANY  
NEW YORK . BOSTON . CHICAGO  
DALLAS . SAN FRANCISCO

THE MACMILLAN CO. OF CANADA, LTD.  
TORONTO

# THE ECONOMIC JOURNAL

MARCH, 1916

## WAYS AND MEANS

THE financial position remains serious enough, but it has improved in certain respects during the last three months. Broadly, one may say that while the pressure of the enormous war expenditure continues to increase, our machinery for dealing with it has received important developments, and is working as smoothly as could be expected. The purpose of this article is to consider one or two points of immediate interest, upon which more or less difference of opinion exists, in regard to the details of this machinery.

A glance at such estimates as are available will give some idea of the burden the nation has to bear, and may help us to judge how far it can be met by taxation, and what will remain to be raised by borrowing. We shall begin the next financial year with our debt more than trebled by the war, at about 2,400 millions, subject to an interest charge increased to fourfold, say 80 millions, or, perhaps, if adequate sinking funds are provided, standing at 100 millions. For the current year, 1915-16, the national expenditure is estimated at 1,590 millions, of which about one-fifth may come from taxation. The estimate is for a revenue of 305 millions, but this may be exceeded by some 20 millions. For the next fiscal year the expenditure is estimated at 1,825 millions: some think it will reach 2,000 millions. Taxation, as at present fixed, is expected to account for 387 millions, or hardly one-fifth of the increased charge. If revenue continues to be in excess of estimate,<sup>1</sup> this figure might be put at 400 millions. It should be noted that more than one-fourth of the current year's expenditure represents loans to Allies, and that similar loans enter into the estimates for next year.

<sup>1</sup> Both revenue and expenditure may be expected to increase above estimates in consequence of rising prices.

The figures may be given per day and week, which for some purposes is more convenient. In 1916-17 we shall probably spend from 5 to  $5\frac{1}{2}$  millions a day, 35 to 40 millions a week. An increase of 15 per cent. in the taxation now arranged for that year would give us 460 millions, or  $1\frac{1}{2}$  millions a day, say 9 millions a week as an outside estimate. If taxation could be increased 37 per cent., say to 550 millions a year, it would give us  $1\frac{1}{2}$  millions a day, or  $10\frac{1}{2}$  millions a week. Perhaps this is more than we can expect at present: but we ought not to be content with much less. For if the war lasts till the close of the year 1917-18 the gross debt<sup>1</sup> will be about 5,000 millions, and the total charge to be defrayed out of revenue, when interest, sinking funds, pensions, etc., are taken into account, hardly less than 600 millions. Whatever the necessary taxation may be, the limit must be reached before the artificial prosperity of the war ends. It will be impossible to increase taxation in the trying period of the transition to peace conditions.

These figures are necessarily very rough, and will no doubt be made more precise in the coming Budget statement. But they go to show that we shall not be safe in assuming that the amount remaining to be raised, otherwise than by taxation, will be less than 26 millions a week in the next fiscal year. It may very well be 30 millions. There seem to be only three ways in which this sum can be raised (for a favourable balance of trade is out of the question). It must be raised by loans placed at home, by loans placed abroad, or by the sale of securities. It is estimated that the balance of international indebtedness will be 600 millions against us for next year. To rectify the exchanges, then, we must raise loans abroad, or sell securities, to the extent of 600 millions. This is probably the extreme limit of what can be obtained. Of this sum it has been estimated that not more than £250,000,000 will be available for Government, as distinguished from commercial purposes. Call it 5 millions a week. We are thus left with from 21 to 25 millions a week to be financed at home.

The national savings before the war were supposed to reach 400 millions a year. Some think that in the current fiscal year they will reach double that amount, or, say, 16 millions a week. It is not clear whether in this estimate the sale of securities to purchase War Loan is regarded as "saving." Perhaps, for our present purpose, it may be. We are certainly able to save more than was saved last year. But the margin to be made up in

<sup>1</sup> Loans to Allies must be deducted to get at net debt, but Great Britain is immediately responsible for the gross amount.

the next fiscal year, if these estimates are at all correct, is from 5 to 9 millions a week, or nearly as much as our total savings in normal times. It comes to this, then, that next year's saving, like next year's taxation, must increase by the whole amount obtained in normal years. It seems well within our power to secure each result, but only by a very serious exertion of economy and thrift. The available machinery, both of loan and taxation, requires careful consideration.

The methods by which the English Government usually borrows are well known. Important sums were raised by issues of funded debt, carrying no obligation of repayment; really, in fact, permanent annuities. Smaller amounts, which it was not desired to fund, were raised by Exchequer Bonds (five year, as a rule); and temporary deficiencies in Supply by Treasury Bills, of which there were seldom more than 20 millions running. At the time of the South African War Lord St. Aldwyn (then Sir Michael Hicks-Beach) made a new development, more on French lines, by issuing a 30-million ten-year loan, redeemable at par, taking the form, at the option of subscribers, of either inscribed stock or bonds to bearer. This loan was a great success, and was subscribed more than eleven times over. In 1910 its place was taken by Exchequer Bonds, which reached a maximum of 26 millions in 1911. Even these maxima for Treasury Bills and Exchequer Bonds, modest as they now seem, were considered by many to be excessive. The normal method of borrowing was assumed to be by way of Funded Debt.

In the course of the present war this system of borrowing has undergone changes of the utmost importance, amounting almost to a complete transformation of our financial machinery. Borrowing on Perpetual Annuities has been discarded—for good, let us hope—and its place taken by redeemable loans (1925-8 and 1925-45); there has been a very large resort to Bills and Bonds; large advances have been obtained from banks, especially from the Bank of England; the convenience of the investor has been considered in the variety of options offered; and for the first time appeal has been made to those of small income, by whom in France the national *Rentes* are so largely supported. Above all, the plan of continuous borrowing has largely superseded the old methods of borrowing by large loans at long intervals. This latter change deserves careful consideration.

In the early months of the war it was financed either by Treasury Bills or advances from the Bank. The Treasury Bills, in the absence of the usual supply of commercial and international

paper, were readily taken up. By November 14th, 1914, over 100 millions were current. The issue of the First War Loan, on November 17th, 1914, made further sales of Bills unnecessary for the time, and the amount dwindled a little; but it was over 100 millions again on February 25th, 1915. The issue of some 30 millions (net) of five-year Exchequer Bonds, on March 6th, 1915, brought with it a second decline in the amount of Bills; but on April 13th they again exceeded 100 millions. On April 14th a radical change was made in the method of issue. Hitherto Bills had been issued at irregular intervals, in fixed amounts and maturities, and sold by tender. After April 14th, 1915, they have been issued continuously and without limit, at rates of discount announced by the Bank, and subject to variation at intervals. At first only three months, six months, and nine months maturities were offered; on May 8th, 1915, twelve months maturities were added. The new mode of issue was very well received. In the first three months, up to July 10th, 1915, the amount of Bills current had increased to over 250 millions: at the rate therefore of 1.65 millions a day, or  $11\frac{1}{2}$  millions a week. The issue of the Second War Loan on this date naturally caused a decline; but the lowest point reached (in October, 1915) was only 30 millions below the previous maximum. In November and December the applications increased rapidly, and the year 1915 ended with a total issue of nearly 400 millions (395,565,000).<sup>1</sup>

Here we must stop to notice a further application of the same principle of continuous borrowing. On December 16th, 1915, the Bank announced a new issue of 5 per cent. Exchequer Bonds, for which applications would be received until further notice, in denominations of £100, £200, £500, £1,000, and £5,000; such Bonds to be receivable at their face value for subscription to any further loan, and to be repayable at par December 1st, 1920. Thus a five-year security is now put on the same footing as the Treasury Bills; and there is no reason why ten-year bonds should not be offered in the same way, if longer term loans are desired. Both Bills and Bonds have been well taken up. In the forty-three weeks from their first issue to February 12th, 1916, the Bills, notwithstanding the set-back caused by the Second War Loan, have brought in  $428\frac{1}{2}$  millions, say 10 millions a week; while the Bonds up to the same date have realised  $100\frac{3}{4}$  millions in eight weeks, say  $12\frac{1}{2}$  millions a week. The issue of the Bonds in December seems to have somewhat checked the issue of Bills, and both had to contend against exceptionally heavy revenue collections in January and February

<sup>1</sup> Since raised to £428,495,000, February 12th, 1916.

of this year. Still, if we take the total yields of each since the Bond issue began, we find that in the eight weeks ending February 12th the Bills yielded  $57\frac{1}{2}$  millions, or  $7\frac{1}{8}$  millions a week; and the Bonds  $100\frac{1}{2}$  millions, or  $12\frac{1}{2}$  millions a week. This gives a joint yield of about  $19\frac{1}{2}$  millions a week, or 1,027 millions a year; supposing that the issues proceed at present rates.

In view of this remarkable result of the system of continuous borrowing, it must be admitted that it is working very well; it is hardly too much to claim that it is the most successful financial device yet adopted. We have seen that the revenue required to be raised by loan at home, supposing that we can increase the yield of taxation by 37 per cent., is from 21 to 25 millions a week. It looks as if we might depend on the system of continuous borrowing to provide this amount, and that in a fashion most convenient to investors, and causing the minimum of disturbance to the banking system.<sup>1</sup>

Yet we hear talk on all sides of the necessity for a new War Loan; and it is not obscurely hinted that, if the new loan is to succeed, it must be offered at a higher rate than the last: which means, of course, that this higher rate will also apply to the Second War Loan and to the new Bonds, for these may be subscribed as cash for their par value into any new loan. It also means that we should see another heavy depreciation in securities. These and other objections to a new loan are so serious that one expects to find some solid considerations in its favour. Hitherto these have not been forthcoming. Sir Felix Schuster made an interesting reference to the subject in his address on January 27th, 1916. He thought that "if the public response to the issue of Exchequer Bonds now being made was large, a further loan might be delayed for a little while; but the amount of Treasury Bills now in circulation was so considerable that it would hardly seem advisable to add to that form of indebtedness, convenient though it might be to both the Government and the market. The probabilities, then, pointed to the issue of another large loan." The rate should be "attractive," and the instalments spread over a long period. In other words, the amount of short paper now issued is excessive, and it is desirable to convert some of it into Bonds or funded debt running for longer terms. But if this be so, and Sir Felix Schuster's opinion

<sup>1</sup> As these sheets are passing through the press, both Bill and Bond subscriptions are declining. But this seems to be largely due to anticipations of a New Loan at higher rates. It furnishes another example of the unfortunate effects of the big loan system.

naturally carries great weight, the difficulty can surely be met without disturbing the system of continuous issue.

The fact is, that while the system is sound, the present terms of issue are open to criticism: they are exactly calculated to bring about the result of which Sir Felix Schuster complains. Since November 12th, 1915, the Bills have been issued at a "flat rate" of 5 per cent. for all maturities, and the same nominal rate is payable on the new Bonds. If the rate really were as "flat" as it looks, the three-months Bill would still be a more eligible investment for bankers and financiers than the five-year Bond. But owing to the way in which discount is calculated, the nominal 5 per cent. rate yields £5 1s. 4d. on a three-months Bill, £5 2s. 7d. on a six-months Bill, £5 6s. 3d. on a twelve-months Bill. What is much more important, while income-tax is deducted at the source on the Bonds, it is only the *profits* made on investments in Bills which are liable to tax; and these profits may very well be only half, or less, of the gross yield. This adds at least  $\frac{1}{2}$  per cent. to the nominal yield of the Bills, and increases their real cost to the State by the same amount. It is clear, then, that the present "flat" rate puts a heavy premium on investment in the shorter paper; and there have been signs lately that even the small investor, who cannot directly buy a £1,000 Bill, has contrived to make indirect investments in them to secure the advantages they offer over Bonds. No wonder if the amount of the Bills is excessive. But it would be easy to correct any excess by a suitable adjustment of the rates. A British Government Treasury Bill has always ranked as the most coveted banking investment in the world. Four and a half per cent., or even 4 per cent., would be an ample rate for these Bills. At  $4\frac{1}{2}$  per cent. the twelve-months Bill would yield £4 14s. 3d.; at 4 per cent., £4 3s. 4d. Even so, with income-tax at present rates, the Bill would probably be preferred to the Bond by large classes of investors.

But when it is proposed to lower Bill rates, objection may be made. One of the objects aimed at when the continuous issue was first introduced was the control of the market rate of discount. In the early part of 1915 that rate had been unduly low. The terms conceded to subscribers to the First War Loan had put the Bank at the mercy of the market. On February 23rd, 1915, 20 millions of six-months Treasury Bills were allotted at an average rate of £1 12s. 4d., having been tendered for three times over. The exchanges, which had been in our favour in 1914, were beginning to set against us, and it was obvious that

the market rate indicated by such a tender was dangerously low and required to be raised. But it does not follow that we need now maintain a minimum rate, for the shortest Government paper, of over 5 per cent. This is to go to the opposite extreme. New York rates seem to be fully a point below ours. On December 24th, 1915, ten days' paper was at 3 per cent., ninety days' at 4 per cent.<sup>1</sup> On January 27th, 1916, 25 million dollars of New York State 4 per cent. Bonds were placed at a price yielding only 3.85 per cent. to the investor, though here the low rate may be partly due to considerations connected with domestic taxation.<sup>2</sup> Again, it is just cabled as we write that an issue of some 3½ millions of Argentine One-year Treasury Notes has been well received in New York on a 4.70 per cent. basis. On the other hand, we have the suggestion by the City Editor of the *Morning Post* that in October, 1915, American balances had been withdrawn in gold because 4 per cent. investments were not obtainable (presumably for call money, since 4½ per cent. was then obtainable on Treasury Bills). So, too, Mr. E. F. Davies stated (November 30th, 1915) that there was reason to think that a recovery of the exchanges had been due "to a certain extent" to remittances for the purchase of Treasury Bills. Neither statement is very positive. Evidently caution is required; but it is a question of the amount of remittances affected and of the balance of advantage. Upon the whole this seems in favour of a lower rate for short paper; in fact, for all Treasury Bills.<sup>3</sup>

Many would prefer that any necessary adjustment should be made by raising the rate on the Bonds; and it seems to be assumed by most people that the rate offered must rise for every successive loan. It would be difficult to find any solid basis for this assumption. It is certain that if rates are raised, either for the continuous loans or a new large loan, there will be a corresponding depreciation of all existing securities, except in the case of those which carry conversion rights, and here another heavy burden would be thrown on the taxpayer. It does not appear that anything would be gained. Foreign money will certainly not be subscribed to loans liable to unlimited income-tax. Nor is it easy to see how home savings or home investment

<sup>1</sup> *National City Bank Circular*, January, 1916. •

<sup>2</sup> *Ibid.*, February, 1916.

<sup>3</sup> It is, moreover, open to question whether large holdings of short London paper in foreign hands are desirable. There were great complaints on this score after the South African War. It was said that the market was persistently depressed because so large an amount of Treasury Bills was held abroad, in regard to which it was difficult to judge whether or not they would be renewed at maturity.



will be increased. As new issues are very properly under control, there is no question of the competition of alternative forms of investment. Indeed, it might be doubted whether the present 5 per cent. rate was really necessary. It is probable that, if the continuous system had been introduced at the outset, all the requirements of the country could have been financed at a maximum of  $4\frac{1}{2}$  per cent., or even, as Mr. Gibson holds, of 4 per cent. But a 5 per cent. rate should in any case be offered for one year and longer small Post Office investments, not only for simplicity of calculation, but because the sacrifice of saving is far greater in the case of those with small means, who require stronger inducements to make it. Our present system gives the easiest terms to the *haute finance*. But we are now committed to the 5 per cent. rate for five-year Bonds. Surely we may stop there, and neither increase the rate on the Bonds nor extend the Bond rate to a colossal loan. The better policy would seem to be to lower the rate on the shorter paper until five-year or longer Bonds are taken up in the desired proportion. Foreign money requires independent treatment. It can only be attracted by loans placed abroad, in foreign currency, free of all British taxes, and issued at whatever may be found the necessary rates. If we depreciate the national credit by raising our home rates this will only further raise the rates we shall have to offer abroad.

If we suppose that rates have been properly adjusted, so as to secure the right proportion of longer paper or Bonds, does any reason remain for a big spectacular loan? It may be said that our friends the French, excellent financiers as they are, thought it necessary to have a large consolidating loan in November last. But the history of French war finance, viewed as a whole, seems to confirm the argument for continuous borrowing. It is noteworthy that the Loan of Victory was the first raised by France in this war. Up to November 16th, 1915, France had raised about 1,040 millions sterling, or 69 millions a month, without resort to loans: 276 millions by advances from the Banque de France, 487 millions by continuous issues of Bonds and Bills, 220 millions out of revenue or "unused credits," 60 millions from foreign loans (the Anglo-Franco-American loan not included). Of this only one-sixth, or 180 millions, was spent abroad.<sup>1</sup> The great bulk of what was lent, then, *so far as the question of account is concerned*, was returned to the country

<sup>1</sup> In November, 1914, Mr. Lloyd George said that four-fifths of our war expenditure would be spent in the country.

by the Government expenditure, in what M. Théry calls a "*mouvement giratoire*," so that banking disturbance was reduced to a minimum. M. Théry gives figures which go far to support his claim that the amount of floating money and power of subscription increased in proportion to the military expenditure. The Victory Loan absorbed some of the floating fund; but Government expenditure will soon restore it, when the "*mouvement giratoire*" will resume its old proportions. It must always be remembered that there was a special reason for a consolidating loan in France. The outbreak of war not only struck an exceptionally heavy blow at French finance, but it taught her market at a most inconvenient time. A new loan had just been issued, but not yet transferred to permanent holders. The position required regularisation in many respects. Nor was it so much the short as the long French paper which was absorbed in the Loan. Out of some 150 millions sterling of Bonds, 127½ millions, or nearly 84 per cent., were converted. Out of 360 millions sterling of Bills, only 89 millions, or about 25 per cent., were converted. This, though the Bonds yielded 5·60 per cent., the Bills only 5 per cent. Short paper is so attractive that we cannot trust to a big loan to reduce the proportion taken up. Here, in London, we have already had two large loans, the last of which was a consolidating loan, giving conversion facilities. Things are now running smoothly with us, and no special reason exists for a third loan.

It may be said, however, that the five-year Bond is too short. If so, Bonds of longer date should be offered. Mr. Drummond Fraser, one of the earliest advocates of continuous borrowing, recommended the issue of Bonds for three, five, seven, and ten years; and there is much to be said for giving this wider option. The French Bonds are redeemable in five or ten years at the option of the Government. The fourth German Loan just issued consists of 4½ per cent. Imperial Treasury Bonds at 95, divided into ten series, redeemable by yearly drawings from 1923 to 1932; and also of a 5 per cent. Imperial Loan issued at 98·50, and not redeemable before 1924. The Germans have good reason for preferring longer bonds. They expect financial trouble when the war ends. We need not. But whatever term for redemption may be considered desirable, this term can be applied as easily to continuously issued bonds as to a new funded loan. Even a loan must be redeemable at some not distant fixed date. The risk of depreciation must be limited.

There are some who advocate the big loan on the ground that

if a really colossal issue could be made it would stimulate investment at home and have a useful political effect abroad. The political effect is doubtful: for it is well understood that the larger the loan, the more artificial it must necessarily be. The kind of advertisement required to stimulate investors is being well arranged by bankers and brokers. Their timely hints to customers will in the long run be more effective than the nine days' wonder caused by the splash of a big loan. The big loan, too, will require heavy subscriptions by the banks, and corresponding creations of bank credit. This will cause inflation and further rise of prices, thus increasing the cost of the war, and involving the country in a kind of rake's progress. Each successive large loan, too, seems to make an epoch, and is held to imply a rise in the loan rate. The continuous system, with its absence of definite breaks, is free from this costly defect. In short, the continuous form of issue seems to hold the field. Its various options are convenient to the investor, and therefore cheap to the State; it is smooth in its working, putting the minimum pressure and loss on the banks; it enables Government, by the adjustment of rates, to obtain loans for precisely the terms which from time to time seem desirable; above all, it tends to base our loan subscriptions on real economies rather than on artificial finance.<sup>1</sup>

Reference has been made to the point that a certain amount of loan may have to be raised abroad, if only to rectify exchange. The exchange position has greatly improved in the last three or four months. Large sales of securities have been made, and much has been done to centralise the various operations affecting the exchange.<sup>2</sup> The result is encouraging. The Dutch exchange, which fell heavily at the turn of the year, is still some  $5\frac{1}{2}$  per cent. against us; but the more important New York exchange seems well in hand. This state of things can only be maintained, however, by continued efforts on our part. We must either raise further foreign loans, or, preferably, further sales of securities must be made and private credits arranged. We may, and should, diminish our imports; we can hardly expect to increase our exports. In the first eleven months of 1915 the Bank of England exported between 80 and 90 millions of gold;<sup>3</sup> almost the whole of the world's supply for the period (say 97 millions

<sup>1</sup> It need hardly be said that the more artificial the loan, the more certain it is to depreciate.

<sup>2</sup> Similar concentration has taken place in Austria-Hungary and Germany, and, as we now learn (February 22nd), in Petrograd.

<sup>3</sup> *Morning Post*, December 2nd, 1915.

a year). Perhaps 50 millions of the 1916 supply may be exported this year. But it would be doubtful policy to seriously reduce our modest store of gold. The national reserve still carries huge responsibilities, and we do not know what further liabilities may be incurred. The French call upon us to correct the Dutch exchange by a gold export. They do not take similar steps to correct the Paris exchange on London. If they were to remit direct to Holland they could at the same time right both exchanges. It is not certain that this would be wise. The Bank of France, in its Annual Report, gave good reasons why it might not be. Similarly with our New York exchange, heavy exports of gold might be mischievous. New York is already glutted with gold, and further exports would only raise prices against us on our large balance of imports. The importance of correcting exchange is very much a question of the volume and the character of the transactions affected by the exchange. It is perhaps most important to us, because, if the loss of parity goes too far, it may interfere with the freedom of our gold market, which we desire to maintain. To other nations this consideration does not appeal. In estimating their position too much is usually made of the discount on their exchange, perhaps because it is always clearly in evidence and quotable. Under war conditions it cannot be held to prove either decline of national credit or depreciation of currency. A striking example of the exaggeration of exchange indications is seen in the contention of a distinguished writer that we should relax the blockade on German imports in order to increase the discount on the mark exchange. The blockade may be vital to the issue of the war. The discount on exchange is evidently not considered of such importance in Germany as to warrant the export of gold to correct it.

But in our case exchange operations are very large; and, as has been said, the rate is otherwise important. Sir George Paish, who will not be accused of pessimism, estimates our adverse balance for next year at 600 millions.<sup>1</sup> If we could finance so much of this as relates to Government expenditure, say 250 millions, by loans or credits secured abroad we might perhaps make up the balance by sales of securities.<sup>2</sup> It is, however, doubtful if we can depend on the United States to finance the

<sup>1</sup> *Statist*, January 8th, 1916.

<sup>2</sup> Sir George Paish estimates that we hold some 1,770 millions of securities (South American and Canadian are included in this figure) which American investors might conceivably be willing to buy. The *Times* of January 24th, 1916, mentions a New York estimate that the United States has absorbed 350 millions sterling of securities since May 1st, 1914.

whole of this huge sum. That country has surprised the world by the unexpected financial strength it has shown under the strain of the war: but we need not look solely to New York. Very large profits have been made in Holland and Scandinavia. The Bank of the Netherlands has a gold reserve of more than 80 per cent. against its note issue, treble the amount held in normal times (nearly 39 as against 12½ millions sterling).<sup>1</sup> The Bank of Sweden is so glutted with gold that it has obtained the repeal of the law obliging it to buy all gold offered at a fixed price. We are not without powerful friends in these countries. They are all in close relation with the Amsterdam market. Why not offer them a loan, with interest payable in florins in Amsterdam, and of course tax free? At present we hear that the New York loan is being bought for Dutch account. It would be a fitting compliment to the strength and international importance of Amsterdam if the next foreign placement were made there. The hoarded wealth of India has been proverbial for ages. Is it impossible that a well-planned rupee loan should be floated in that country? Japan, the only other possible lender, whose recent prosperity is remarkable, is now rendering effective service to the Allies by financing Russia, and by buying back the 4½ per cent. loans she raised in London. She can hardly be expected to do more.

In regard to the sale of securities abroad, as in so many other respects, our national finance largely depends for its success on the efficiency of the Stock Exchange. It is still necessary to insist on the importance of freeing this great market from arbitrary restrictions. Much has been done in the last three months by way of removing minimum prices; but while each successive removal has left the market stronger, it has emphasised the unfairness of such minima as remain. This has been especially felt by the unfortunate payers of death duties. The pressure of this tax, always difficult to finance, has been trebly increased. The war has multiplied the occasions for its imposition (in direct proportion to the public sacrifices of the families concerned); the rate has been raised; and, owing to the minimum prices enforced, although a partial allowance has been made, it is often found that the securities passing have been assessed above real market values. What is gained by this artificial system? Bankers and others may be concerned at having to write down securities in their balance-sheets. But official mini-

<sup>1</sup> The *consortium* of Dutch banks lowered their deposit rates to ½ per cent., "the lowest figure ever known in Holland," February 24th, 1916.

mum prices do not alter real values; they only destroy market-ability on the official market. It is notorious that transactions are being carried on at prices nearer to real values by outside dealers, who are not subject to any of the rules imposed in the public interest on members of the "House." Is it really desired to drive the public into the hands of these outside firms? After all, and in spite of the partial abolition of minimum prices, the fall in values has been remarkably small. The 3,000 odd millions' worth of securities scheduled every month in the *Banker's Magazine* only lost 6.6 per cent. in value between January 20th, 1915, and December 17th, 1915. Half of this fall was consequent upon the issue of the 4½ per cent. War Loan, which radically altered the basis of valuation.<sup>1</sup>

If we consider the change in the rate of interest caused by the immense war loans, the fall in capital values is astonishingly small. Indeed, if we reckoned our holdings, as the French do their *Rentes*, by their yield, it is doubtful whether, on average, there would be any serious loss to bring to account: for there have been profitable exchanges from American securities into war loans, and large conversions from older loans into loans at higher rates. Whatever the loss, it is more than set off by the immense advantages of an effective, active market, with real instead of merely nominal values.

An able American writer has said that it is impossible to conceive the modern banking system in the absence of an effective stock exchange.<sup>2</sup> To no banking system is it more important than to our own, which makes so large a use of securities as collateral. Nor is it less essential to public finance. Some of the earliest and ablest defences of the London Stock Exchange contend that it was absolutely indispensable to our system of funded loans by the help of which the British Empire was built up in the eighteenth century. Pinto, and other experts, held that its efficiency, and the volume of its business, were a principal reason of the transference of financial supremacy from Amsterdam to London. In view of the huge and unprecedented financial operations now confronting us, it is surely desirable to give all possible facilities for the free working of what is still the world's greatest market for securities. The part it has to

<sup>1</sup> By the return just to hand, it appears that, in the two months since the last return of December 17th, 1915, the fall in aggregate values has only been 0.6 per cent., in spite of the removal of minima from Colonial Government Stocks.

<sup>2</sup> Cf. Prof. H. C. Emery, *Speculation on the Stock and Produce Exchanges of the United States*, 1896, p. 157.

play in maintaining the Empire at this crisis in our fortunes is hardly less vital than the part it played in its creation.

When the position of the Stock market is regularised, our loan machinery will be in good order; at any rate, so far as the ordinary investing classes are concerned. But a difficult problem remains. The people as a whole must be brought in; the War Loans must become national institutions. The difference in this respect between Consols and *Rentes* is extraordinary. Men at the university, attending lectures on economics, have been known to ask what Consols were. *Rentes* are a household word to the humblest Frenchman. They serve as a savings bank to the peasant, and the middle class go in and out of *Rentes* instead of keeping a current account with a banker. They can be bought and sold in the smallest amounts at every Post Office; in fact, down to the sum of three francs (*i.e.*, 100 francs, or £4, stock). It is a very old maxim in this country that the best way to attract gold is to give every facility for taking it away again. The French have applied this sound rule to savings. By their consideration for the small investor they have made their *Rentes* the best held funds in the world. In 1908 there were 4,631,857 holders of *Rentes* against 255,112 holders of Consols; and if we do not take into account Consol certificates, the average size of the holding of *Rentes* is one-nineteenth the average size of the holding of Consols. Their Funds, like their National Bank, are thoroughly democratic; and they are taking care that it shall be the same with the new War Loans. French Treasury Bills (three months at 4 per cent., six months and twelve months at 5 per cent.) are being issued down to 100 francs (say, £4: our limit is £1,000!). Bonds can be bought in amounts as small as 5 francs and 20 francs at every Post Office, where they are at once handed over against cash.<sup>1</sup> As M. Théry well says, the creation of these Bonds answers rather to political than financial considerations; but it is certainly worth while. Small savings are thus enlisted in the finance of national defence; and the reflex effect on economy is equally important. We have lately taken useful steps in the same direction. Much has been done to reach the small investor through the Post Office, the only kind of financial machinery he understands. The arrangement for the custody of Bonds by the Post Office is excellent. Best of all are the provisions recently announced making the new Certificates and Scrip Vouchers under £5 payable in cash on demand. It would be well if this system were extended, so that amounts of

<sup>1</sup> *Econ. Eur.*, February 18th, 1916, p. 105.

War Loan under £100 might be dealt in at the Post Office at just remunerative commissions. The institution of savings banks, and still more of the Post Office banks, gave an immense stimulus to thrift. Perhaps a still greater advance would be made if we could give our national Funds something of the position and popularity the *Rentes* enjoy in France.

Thrift, it may be hoped, is now coming into its own again. The War has found out many weak points in our policy, none more glaring than our recent attitude towards thrift. It has been the fashion, even with some of our economists, to decry it as a sordid and mischievous vice. Politicians have held it up to odium, and punished it by extra taxation. Worse still, the State has described income derived from saving as "unearned," a term which to most men carries the meaning of undeserved. Income derived from saving is really twice earned. To the majority, people of small means, the effort of saving is much harder than the original earning of what is saved. The exercise of faculty in earning wages, salaries, and profits is often agreeable; and some day, when labour is ideally organised, we may hope it will be agreeable to all of us. But saving will always involve self-control and self-sacrifice. It ought not to be too hardly felt; every facility should be offered, and all possible concessions made, to small savings. Like every other useful habit, saving may be carried to excess. But in due degree it contributes a very necessary element to character; and we should have less waste, and a more thorough utilisation of wages and incomes, if saving were more common. Nor has there ever been a time in history when saving was more imperatively necessary. Even before the War there had been a serious rise in the rate of interest, which went far to compensate the saver, in automatic fashion, for the burdens imposed on him by the politician. But there must be an unprecedented shortage of capital after the War. To establish habits of economy should now be the first concern of the statesman.<sup>1</sup>

It will be extremely difficult to make England thrifty. Thrift involves intelligence no less than self-control. Above all, it requires what is really the highest quality of mind, I mean imagination. Nothing is harder than to actualise the future; to realise that its wants will be as urgent as those felt in the present, and for older persons, more expensive to provide. It is their education, spirit, and intellectuality which have made those two brilliant peoples, the Scotch and the French, the most thrifty

<sup>1</sup> Even in the United States, to which the War has brought nothing but prosperity, a Thrift Campaign has just been inaugurated by the American Bankers' Association.



of European nations. Perhaps this explains why the English do not take so kindly to saving. So it has been for centuries past. There was no better judge of national psychology than the great Daniel De Foe. Here is his estimate of us in 1704. "Good husbandry is no *English* virtue, it may have been brought over, & in some places where it has been planted it has thriven well enough, but 'tis a foreign species, it neither loves, nor is beloved by an *Englishman*. . . . Tho' this be a fault, yet I observe from it something of the natural temper & genius of the nation; generally speaking, they cannot save their money. 'Tis, generally said, the *English* get estates, & the *Dutch* save them. . . . *English* labouring people eat & drink, but especially the latter, three times as much in value as any sort of foreigners of the same dimensions in the world."<sup>1</sup> Another brilliant observer, M. Taine, says that the Englishman provides for the future, not by his savings, but by his expenses. There is something to be said for this solution, for we must never encourage people to starve themselves into inefficiency. But it does not establish the habit of thrift, nor meet the need of the hour.

There is, however, another equally well-marked trait of our national character which might be turned to account. Sentiment apart, there seems no solid objection to utilising for the national profit the inveterate and irrepressible desire to "try one's luck" which is so often found in healthy, and therefore optimistic, human beings. In spite of our prudery on this point, there is no country in the world where this desire is so strong as in Great Britain, or so grossly exploited by rascality. Very much of what is euphemistically called "sport" is really gambling, and sometimes worse. As things are, the gambling instinct cannot be suppressed, and often leads to ruin. Why not furnish an innocent means of gratifying it, which will actually develop habits of thrift, and where the result of the stake, so far as it is uncertain, will be due to pure chance, and not to a mixture of chance and fraud? This seems to be the object of the proposal to issue premium or bonus bonds. These bonds would carry 2½ or 3 per cent. interest in any case, together with rights to a chance of a bonus in addition. Thus the "sportsman" would become a "*rentier malgré lui*"; and, perhaps, in due time, the unfailing virtue of interest might come to be held more substantial than the mere chance of luck. Such an issue by the Government has been declared perfectly legal. It seems the only way to get hold of the spare cash of a large class who squander most freely.

In any case a popular campaign will be required. The

<sup>1</sup> De Foe. *Giving Alms no Charity*. 1704.

imagination must be stirred. The people are everywhere waiting for a lead. Except for the invaluable example of H.M. the King, they have not had one that makes an adequate appeal. They see waste everywhere, and on such a huge scale that their small private economies seem useless; for they cannot appreciate the magic of large numbers. If one-tenth the energy ordinarily spent on party struggles were devoted to the advocacy of economy, our financial problems would be solved.

It is in the public service that waste is most flagrant, and its example most discouraging. It looks as if all the old checks on expenditure were in abeyance, or at least ineffective. Army supply officers have been heard to say that the whole population of Belgium could be supported on the waste of the British Army in France. After allowance for the vigour of expression which we like and expect to find in the soldier, it is certain that not only abroad, but at home, expenditure has been reckless. Everyone you meet can give you a score of examples of it from personal observation. It is startling to hear that at a single stroke the expenditure on shells could be cut down by £400,000 a week! Another source of serious loss is the imperfect utilisation by the State of requisitioned resources, as, for instance, in matters of transport; and the failure to find work for so many highly skilled men, engineers, for example, when others are being heavily overworked. Abundant supplies of funds to huge bureaux of officials is another cause of waste. If it be true of the English generally that they are apt to take the amount of their incomes as a kind of indication of what they are justified in spending, this is still more true of English officials, public or municipal. They seem bound to justify their existence by some kind of activity, sometimes merely obstructive, sometimes, as where there are Works Departments, seriously wasteful. Local authorities, with less excuse, have been almost as bad as the central authorities. Local rates have doubled in twenty years. The "unproductive" local debt has more than doubled in the same time. The only way to check these abuses is to cut down the supplies. Grants from national funds to local authorities should be withdrawn during the war. Officials will spend all they can get without provoking a kick from the tax-paying Issachar. But they know when it is wise to stop. They will in general cut their coat according to their cloth, and avoid unduly raising rates.

Example and appeal should be used for all they are worth; but you cannot extemporise national habits. It must come to pressure in the end, before the necessary economy will be secured. Either high prices or taxation might serve the purpose. It would

seem that in Germany they have mainly relied on the effect of high prices, aided in certain cases by the system of rations. The consumption of the masses, whose wages have not risen in proportion, has thus been reduced. Certain classes have made large profits, but these are the classes who naturally save. Moreover, their increased resources are easily visible in bank balances, etc., and means are found to induce the investment of these resources in the German loans. It used to be said that mediæval sovereigns used the Jews as a financial sponge. They were allowed to absorb wealth from the people, to be periodically squeezed into the coffers of the prince. Germany seems to be using her wealthy classes, and Austria-Hungary her bankers, in similar fashion. This policy is not open to us. While a certain number of employers have made large profits, the bulk of the classes who normally save have been hard hit by the war. The working classes, who are unusually prosperous, are not as a rule savers otherwise than by subscriptions to societies. The best way to tap the extra earnings of both employers and employed is by taxation.

It is generally more equitable to tax by diminishing incomes than by raising prices; but it will be difficult to tax wage incomes directly. Commodities, especially certain imports, must be taxed, and prices will rise in consequence. But every effort should be made to check any avoidable cause of a rise of prices. They should not be allowed to rise through disorganisation of transport, or artificial finance, for example. The rise aggravates our financial burdens, upsets all estimates, and causes social friction. It is already excessive. Prices have risen 46 per cent. since the war began, and  $10\frac{1}{2}$  per cent. in the two months, December, 1915, and January, 1916. Not more than 3 per cent. of this rise is due to gold supplies. A large part is due to the increase of purchasing power (either currency or bank credits) caused by the abnormal war demands. Much of this is inevitable, though it can be reduced to a minimum by continuous borrowing. Sir George Paish thinks nearly *one-half* of the rise is due to rise of freights. This urgently requires correction. It is only in so far as prices are raised by methods that create revenue that we can regard them as a useful instrument of finance.

To taxation, then, and heavy taxation, we find ourselves driven at last. The raising of loans is connected in so many ways with the nature and amount of taxation that neither question can be satisfactorily handled without reference to the other. But limits of space, already strained, prevent a discussion of tax-policy here. A few brief suggestions only can be made.

True economy, whether in time of peace or war, rests on a rational adjustment of values. Taxation can do something to enforce this. Such expenses as are merely ostentatious or conventional form the best possible subjects of taxation; there is no loss of essential utilities, and the labour released is urgently needed for necessary services. There is no economy within the reach of the middle classes at all comparable with what would be gained by the reduction of domestic service. Heavy taxes might be imposed on all servants (the necessary exemptions made for the sick, young children, hotels, etc.). Indeed, all licences should be raised, and retransferred, for the period of the war, to the Consolidated Fund. If these taxes proved prohibitive large savings would at once be possible; if not, they would at least raise revenue with a minimum of hardship. Consumption of all but the poorest may be substantially reduced. Professors Hopkins and Wood, after a careful study, estimate that 60 millions might be saved in food by those earning more than 30s. (say, now, 35s.) a week. It is certain we should be none the worse if 100 millions were saved on alcohol. The heavy taxation of spirits is obviously indicated on all grounds. Life-long smokers have found that it is possible to dispense with tobacco. The consumption of cigarettes is enormous. Here an expensive import might be checked. The expenditure on amusements, which seems higher than ever, should be taxed; so, too, advertisements and photographs. The Italians have a tax on men of military age exempted from military service. This tax is said to have met with general approval. Taxes on war profits are in all countries recognised as obvious and equitable.

Whatever special taxes are selected, certain general aims must be kept steadily in view. Taxation has seldom been what Adam Smith said it should be, a mere instrument of revenue. The great Colbert used the tax-system as a sort of *clavier*, or keyboard, by the manipulation of which he could control the direction and development of the national industry. Afterwards it was used to foster colonies and extend empire. In modern times it has become the fashion to use it as a means for redressing inequalities in the distribution of wealth. To-day the question of revenue is certainly urgent; but the main objectives of taxation must be to check unnecessary consumption, and especially unnecessary imports; and generally to enforce economy and promote thrift. Relatively, our resources are good if we are willing to use them to the full, and intelligently. Nothing less will serve.

## COULD WE IF WE WOULD, AND WOULD WE IF WE COULD, CAPTURE GERMAN TRADE?<sup>1</sup>

THE question which the club is asked to consider is presented in an alternative form. "Could we if we would, and would we if we could, capture German trade?" It will, I imagine, be admitted that if the answer to the first part of the question is in the negative, the second becomes of no importance. But it does not follow that if we could capture German trade it would be right of us to take this course.

It is true that no answer will be required till the end of the war, and at the moment such a prospect does not seem to be at hand. Nevertheless, it is well we should consider now what answer we shall give when the time comes, lest half-unconsciously we may find ourselves committed beforehand to a false conclusion. There are not wanting signs that this is going on at present. The report of the Sub-Committee of the Advisory Committee of the Board of Trade on Commercial Intelligence is an ominous indication of that to which I allude.

In attempting to find an answer to the first part of the question we must understand precisely what we mean by the German trade which we are invited to capture. German trade, like the trade of any other country, means, I take it, the whole of the activities of the nation as translated into production of all sorts. So regarded, the work of the philosopher in his closet, and certainly the work of the investigator in his laboratory, go to form a part of trade; for at any moment work of this sort may be translated into actual commercial results. Who, for example, would have thought that Oersted's apparently quite irrelevant observation that a magnetic needle brought within the influence of an electric current is deflected would permit us to establish almost instantaneous communication between London and New York—still less that it opened possibilities as to the production and transmission of energy, the extent and ultimate effect of which we as yet only dimly perceive?

Now, it is obvious that in this sense we cannot capture

<sup>1</sup> Read before the Political Economy Club, March 1, 1916.

German trade except by capturing Germans, and then we must either maintain them by our own efforts out of our surplus, or set them to work to earn a livelihood for themselves—or, perhaps more simply, by exterminating them, put a definite and complete end to German trade. But would this suit us? To answer this question would be to deal with the second branch of the problem, and so I will leave it for the moment.

What is probably meant by those who ask us to capture German trade is that we should capture some special branch or item of German trade. And it will at once occur to every member of the Club that certain particular trades are suggested for capture, or that the British manufacturer is blamed for not having prevented the Germans from obtaining them.

What appears to me the fatal defect in any such suggestion is that whatever trade the Germans possess, which anyone in this country would like to have, is the trade to be captured. The method of capture is, however, not to be that of producing the article in question cheaper or better, but in succeeding in inducing the Government to afford means of selling it dearer. Let me take an example. The dye industry, as it is called, that is to say, the manufacture of dyes from the by-products of the distillation of coal ought, say the would-be "capturers," to be a British industry. Good. But, say they, it shall be captured by the Government providing capital to erect the works at cheaper rates than this can be done by private enterprise, and some guarantee shall be given that after the war the produce of the factory shall find a market in England. Does this mean that the taxpayer shall find the difference between this cheap capital and the price of capital in the open market, and that the consumer shall pay as much more as may be needed to keep the factory at work against the German dye-maker? Will it suit the calico printer in Lancashire to buy dear colours in order to make materials to meet the cheaper-dyed German articles in the neutral markets of the world? The British dye-maker can capture the trade without any intervention on one condition. Let him make dyes cheaper and better than the German and he will find the Lancashire printer quite ready to become his customer. It is a less heroic but a sounder remedy than to evoke the aid of the State.

But it is said the the German manufacturer has got a firm hold on the market, and by fair means or foul has created a monopoly which it is our business to break. It is further suggested that this cannot be done except by State action, and that

the operation of individuals is powerless against the great combination which has been built up. The British manufacturer is, moreover, blamed for having allowed a British invention to pass into other hands. Before we admit any of these contentions they should be carefully scrutinised. We may admit that the German system of education put into the hands of the German manufacturer the means of conducting his operations in a thoroughly scientific way. Very carefully trained chemists were turned out of the technical schools by the hundred; those in control of the establishments had the good sense to make full use of the materials thus provided. The field of inquiry was quite new and offered almost boundless opportunities of research, and there was no failure on the part of those concerned to undertake the investigation..

Now, in all this, what fault have you to find with the German? Great Britain might have done the same, and if she neglected to do it, she has herself to blame.

Or, let me take an example of what may be called the foul means. I am told that the celebrated Badische Anilin Gesellschaft, availing themselves of the provision of the Patent Laws intended to thwart them, erected works in England, and so complied with the law, but were careful to establish a part of the process out of which an essential stage was omitted, which was accomplished in Germany. So we are hoist with our own petard, as is frequently the case. It cannot have failed to amuse a cynical Free Trader (if such a being exists) how often has this happened. The report to which I have referred mentions one such case (§ 19) where the mark of origin so loudly demanded some years ago is now complained of as unduly advertising that country. But for the war we might have found ourselves invited to legislate *against* any manufacturer marking his goods with the name of the country of origin. While I am on this subject I would like to call attention to the *naïve* observation in § 18, viz.: "The representatives of the jewellery trade urged that such marking could be extended even to small articles such as rings, and in the case of glassware it was suggested to us that the marking should be in the glass itself, the slight resultant disfigurement being, of course, not objectionable from the point of view of British manufacturers." Why not make the "resultant disfigurement" fatal to the use of the article and have done with it!

But I must not be understood to contend that I do not think there is some ground for regret that a great new branch of industry

has passed almost entirely out of British control. What I do say is, that before you blame the British manufacturer you must take all the circumstances into account, and I will mention two, the importance of which I regard as very great. In this, as in many other cases, the Government, both central and local, and in some instances public opinion, far from helping the manufacturer, have hindered him. Facilities for the use of alcohol were essential to the perfecting of the aniline dye processes. Our laws withheld these, and the would-be dye-maker was the more deterred from entering on a difficult manufacture because he knew he would be perpetually harassed by the Excise. It would take me too far to give other instances, but the industries connected with gas, with motors, and with electricity (to name only a few), give even more striking instances of the same sort.

But, besides all this, there is another consideration. I have been engaged in industry in this country since 1862. In all that period I affirm that there has never been a time of any duration when it would have been possible to get 10,000 capable workmen to take up new work. There have been plenty of unemployed, but they were persons who, under the conditions existing, were unemployable. I will not elaborate this thesis. I mention the fact in order to show that there was no need in Great Britain to look for new industries. Her people were fully employed. She had the greatest trade, both internal and external, in the world. Why should she trouble if some branch of industry fell to Germany? But look at Germany. I have known her since 1860, when I spent two years at Göttingen. She was then a strikingly poor country, in which the conditions for building up great industries were lacking. The Westphalian coalfields were hardly begun to be exploited. Hibernia, the name of the chief of the earlier enterprises in that region, testifies to the fact that it was necessary to come to these islands to find men and money for the purpose. Shortly after I left Germany began that series of struggles for aggrandisement, which, continuing till 1870, gave Prussia the predominant position which for the moment contented her. Germany, now at last united, entered on that marvellous development which we have since witnessed. Coming thus late into the field necessitated her turning her hand to whatever work she could pick up. Every praise is due to her for the way in which she faced her task. We may think that she would have done better in this way or in that, but, taken as a whole, it must be admitted that the work was done with the most remarkable skill and perseverance. But people would have been found to



complain whatever the industry of which she had taken hold. People *do* complain that she has become a great iron-producing country, an industry on which (from a purely selfish point of view) I could wish she had not embarked!

This is due to the simple fact that she has huge resources of iron ore which she did not begin earnestly to develop till after the Franco-German War. Nothing we could have done would have prevented this great industry springing up. How can we hope to capture it? Just as we, grown rich, sought to spend our surplus wealth in drawing from all parts of the globe supplies to satisfy, not only our absolute needs, but our luxurious desires, so Germany, growing rich, wished to do likewise. I recall an observation of the gentleman with whom I lived in Göttingen. "What I envy you Englishmen," said he, "is your abundance of oranges." I did not realise the significance of the remark till long after. Germany then had no surplus out of which to buy oranges selling at two a penny in Great Britain. I have given two instances. It would be easy to multiply them, and this could, I think, be done from the list of trades which are mentioned in the report as needing protection, though it appears to me that the very figures adduced go far to negative the claim.

I turn to another plea which is put forward by those who wish us to capture German trade, and which it would be disingenuous to slur over. We are asked to learn one essential lesson from the war, and that is, not to be caught short of any "Key" industry. Before I admit this, I should like to be sure what a "Key" industry is. One thing is, I think, certain, viz. : that no one a hundred years ago, after the last *great* war in which this country was involved, perhaps I might safely say no one two generations ago, would have mentioned as "Key" industries those for which people now claim this title.

Would zinc have been thought essential when war was waged with muzzle loaders, or cotton or the by-products of the distillation of coal when gunpowder was the sold "propellant" or explosive? "Villainous saltpetre" would have been much more likely to be so regarded, but if so regarded to-day it would be for a quite different reason. The older members of the Club will recollect the consternation which prevailed in Europe when the King of Naples forbade the export of sulphur from Sicily; some may remember that the result was to bring to perfection a process for the recovery of sulphur, which is identified, by the way, with a man not of German, but of English nationality.

Who can say what, when war is next waged by mankind, will

be the "Key" industry? Peradventure some delicate alloy of steel involving the use of a rare metal. Shall we "protect" (heaven save the mark!) all rare metal industries lest one of them should be found the Key to the dominion of the air, as may easily be the case? Besides, may we not question the wisdom of giving to zinc this "privileged" position. No doubt the shortage of it and the fact that more than half of the total production was in enemy countries, or at least countries in enemy hands, put us at some disadvantage. But we got the supply we wanted by paying for it. Better do that than enhance for all time the price of zinc to English manufacturers, which, say what they will, is what the "capturers" mean. The galvanised sheet trade has been, and, if it can be saved from its friends, will be again, an important British industry. Will it be helped by having to compete with German sheets buying their zinc cheaper than it is produced at Swansea? We were, no doubt, short of zinc and dyes, but without them we waged war with some energy. I think I can point to other commodities of which there was a much more grievous shortage, and which with a little foresight would have been provided without calling for any such measures as those for which the Advisory Sub-Committee asks.

But let us suppose that all these objections are regarded as invalid, and we are still on capture bent. How shall we proceed? Peace declared on what terms you please to suppose, Germany will want to get to work as quickly as possible. Her excellently equipped factories will be put to rights, and speedily will begin to produce, so that she may meet the burdens the war has bound on her back. I dismiss the probability of her transferring these in any effective way, or to any large extent, to other shoulders. I am sanguine (shall I say visionary?) enough to hope that we on our side will equally dismiss the possibility of binding our like burdens on other backs. Her frugal and industrious people will set to work to produce as cheaply as they know how. In what way can we stop her? By refusing to buy? Well, she will take her wares to other markets. The world, all except the Allies, bound, I will suppose, by mutual agreement to boycott her, will buy her cheap and excellent goods as greedily as they did before. How can we prevent them? Surely we shall not be asked to try the only effective way, by hemming her in by sea and by land, by a complete and real blockade, for that is outside the postulate that peace has been declared. Will anyone suggest a real way to capture her trade? You don't capture a bird by

surrounding one little piece of the universe with a net and leaving the rest open to its unlimited flight. No! You cannot capture German trade, and you will only do yourself irremediable injury if you try.

I might leave it there. But may I take a few minutes to say why I would not if I could? If I am right, the best thing I can do is not to try, not to be led by this will o' the wisp to attempt a boycott. On the contrary, let me encourage Germany to sell me all she can. In 1913 Great Britain took from Germany 80½ million pounds' worth of goods, of which we retained over 76 millions for our own use.

If we refuse to take them when, after the war, she regains her position of a great producing nation they will go flibustering about the world seeking purchasers. Moreover, if we don't take them, can we expect Germany on her side to resume taking the 60½ million pounds' worth which in 1913 she took from us? Unless I am mistaken, it would be found on examination that we bought on the whole cheap things from Germany, and on the whole sold her expensive things. Not a bad sort of trade for us, whose object is to pack as much labour as we can into our exports. But, however this may be, it would seem that, far from pursuing the policy which I understand is meant by those who would have us capture German trade, we should take as great a slice of German commodities as we can get, and give her as much of ours as she will have. Indeed, I am somewhat indifferent about the second. If a man has sold me anything I've got him tight. In malt or meal I am going to pay him by the labour of my hand or my head. Substantially, I pay my tailor's bill in steel, though he does not know it, and probably would decline my custom if he were told what is my intention.

This club deals with economics, and so far I have referred solely to the economic side of the question. But if ethics instead of economics formed the ground of our union, should we not find the same answer? When the war is over and life returns to a normal course, can it be doubted that the best way for all parties will be to obliterate with all possible speed the horrible injuries it has inflicted? Not to stimulate and excite angry feelings, but to calm them should be our object. Will a policy which seeks to exclude Germany from the comity of nations and from the markets of the world have that effect? Would any reasonable moralist desire to cultivate hatred? Would he not rather wish to allay it in every way in his power? Surely on all these grounds we ought not to capture German trade if we could. But there

..  
is yet another argument which, to my mind, constitutes the link between Economics and Ethics.

And this brings me to the last thing I have to say. We are too much led by words, and the terminology of trade too frequently connotes conflict to allow us to escape from the idea that strife in some form is the basis of commercial intercourse. But this is not really the case. Commerce, all appearances to the contrary notwithstanding, is not conflict, but co-operation. The best bargain is not the bargain out of which either one party or the other gets the best, but that from which each draws his advantage, and will therefore desire to repeat the process. There is trade enough for us all, and the more prosperous each is, the more prosperous all are.

It may be that, should it lie with you to dictate the terms of peace, you will impose on your adversaries certain conditions relating to commerce. These will, I hope, be not in the nature of hampering their trade, but rather of fostering both theirs and yours. I cannot better conclude what I have to say on the Ethico-economic side of my subject than by quoting the conclusion of a pamphlet which I recently read. The author ends his most interesting work thus :—

“The programme of the Allies cannot be a mere plan to crush Germany; for a nation of 65 millions (with German Austria 75 millions) cannot be crushed. It must be a plan of defence, a plan for promoting the moral and political progress of Europe and of Humanity. It is a plan to force Germany to be human, to accept and to comprehend the humanitarian programme of the best German thinkers. Germany, when she has abandoned the ferocious philosophy of the Superman and the policy of the ‘Blonde Beast’ aspiring to the blood-stained dominion of mankind, will easily find her place as an equal among equals.”

To help her to find that place will be a nobler task than vainly attempting to capture her trade.

HUGH BELL

## THE DILUTION OF SKILLED LABOUR.

(FROM A CORRESPONDENT.)

FROM an economic point of view the movement towards the dilution of skilled labour is one of the most interesting episodes in the war, for in it we see working characteristics peculiar to English trades unionism, which may have a marked effect on the results of the present war. Their presence was felt as soon as the Government discovered that all calculations with regard to artillery were absolutely wrong. The war, they found, had to be fought with high-explosive shell and not with shrapnel, and no experts—except possibly the Germans—had realised how vast the quantities of shell needed were. There immediately arose great difficulties with regard to the supply of chemicals and other components, with which it is not our object to deal. These the Government prepared to meet in various ways, while for the bodies of the shells they continued to rely on the great armament firms of the country.

The crisis in this connection arose early in the spring of last year, when it was discovered that the armament firms were unable to carry out the enormous contracts which they had undertaken. They had relied upon sub-contracting to increase their productive capacity, and could not find enough sub-contractors to meet their demand for enormous quantities of repetition work. British engineers had neglected repetition work and devoted their attention to more specialised operations, with the result that they were unrivalled as builders of ships or bridges, but had neither labour nor plant to deal with the vast quantities of simple turning.

This neglect was due very largely to the attitude of the English engineering trade unions, whose policy and ideals could not be reconciled with the standardisation necessary for the economical repetition of a large number of simple operations. They insisted on their members being fully trained and not trained only on one machine for one process, while, being suspicious of the system of "payment by results," they introduced restrictions on output, which robbed it of much of its value. Engineering

employers, therefore, were restricted both in the use which they could make of their labour and in the output which they could obtain by means of piece-work prices.

The first restriction took the form of a very rigid limitation of the number of operations which semi-skilled or unskilled men could be called upon to perform. Accordingly, the right to do most of the engineering work in the country was the monopoly of a limited class of fully skilled men. The Amalgamated Society of Engineers refused to allow a man to be trained to work one machine only, exactly as the British Medical Association refuses to allow a man to qualify in surgery only and practise as a surgeon. Accordingly, for many years fully skilled engineers have been doing in this country work which in America is done by a semi-skilled or unskilled man, who feeds and watches an elaborate automatic machine and calls in the skilled mechanic when the tools need sharpening or the machine generally requires attention.

The partial breakdown of the system of payment by results is due to its abuse on the part of a certain number of engineering employers. The whole object of this system is to make the engineer work harder, and there is a universal agreement that piece-work prices shall be so fixed as to yield to an average piece-worker, in his normal hours, from a quarter to a third more than if he is working on "time." The fixing of piece-work prices, of course, is not an easy task and it is usual, when a new job is introduced, to experiment for a month or six weeks, but at the end of that period the price should be fixed definitely on the above basis to compensate the piece-worker for his extra exertions.

Unfortunately, employers did not always realise that piece-work prices, once fixed, should remain unchanged in order that the workman may feel sure that any extra exertion on his part would earn a corresponding reward. The prices fixed were often high, so that there were "easy jobs" and hard jobs, and employers often reduced the prices of "easy jobs" after they had stood for a long period, not seeing that they were likely to lose far more than they could gain by striking this blow at the psychological value of piece payment. An even more unwise practice was also met with. It often happened that there were in a shop one or two mechanics of special strength or dexterity. Instead of fixing rates to enable the average worker to earn his "time and a third," employers took as their standard these exceptional men. It followed, naturally, that the worker refrained from undue exertion lest he should lose his reward by the cutting of the piece-rates, and looked upon a man who worked very hard as an enemy to

his class who was endangering the livelihood of his companions by making the best of his own particular skill. The consequences of this were disastrous, and enterprising and fair employers were prevented from making improvements to which no objection could reasonably be made. But thus it was that owing to the action of a short-sighted minority the policy of "ca-canny" became almost universal in English engineering shops, and the output both of men and of machines was greatly reduced in consequence.

The removal of trade union restrictions on output was first discussed at a conference at Sheffield on March 5th, 1915, between the Engineering Employers' Federation and various engineering trade unions. The result was the "Shells and Fuses Agreement," which made it possible for unskilled men to work on shell-turning throughout the country under the same conditions as prevailed at Barrow and Elswick, which were the only places where shell-turning had been done hitherto on a large scale. This was conceded in return for safeguards with regard to the employment of the skilled men thus displaced, the maintenance of piece-rates, and the immediate restorations of the practices waived after the war.

The "Shells and Fuses Agreement" was supplemented a fortnight later by the "Treasury Agreement," wherein the chief trade unions engaged in the production of munitions of war agreed that there should be no stoppages of work during the war, unless the difference in question had been unsuccessfully referred to arbitration. The "Treasury Agreement" was subsequently incorporated in the Munitions of War Act, of which it was a vital part.

The Government also endeavoured to increase the output of munitions by importing Canadian engineers and by systematic use of the engineers who were found among the Belgian refugees in the country, but while all these steps were being taken the full measure of their difficulties had been advertised throughout the country and the agitation was begun which ended in the passing of the Munitions of War Act and the establishment of the Ministry of Munitions. The Government took power to control engineering establishments "(so far they have taken over more than 2,700 establishments), while by Section 7 they abolished free competition for labour in all industries connected with production of munitions of war.

This is not the place to discuss the shortcomings of the Munitions Act; it is sufficient to say that the supply of skilled labour was not materially increased, and the chief result of the War Munitions Volunteer scheme, which was launched in July,

was to show that there were only a negligible number of skilled engineers who were not already engaged on Government orders of some kind. The Ministry of Munitions had, however, now laid down an enormous programme for increasing the output of guns and shell, and for the new establishments which were contemplated engineers were required in very large numbers.

The Government were, therefore, face to face with the problem of making more productive use of the skilled engineers in the country. There remained no source of supply likely to yield any really considerable addition to the number of skilled men at their disposal, and the only possible means whereby the ever-increasing demands could be met was the release of skilled men from every job which could be done by an unskilled man or woman. The Ministry called to their assistance a Committee, on which the engineering trade unions were represented, and as a result of their deliberations it was decided that the dilution of skilled labour was to be advanced in every possible way.

The principle laid down was that no skilled man should be employed on work which could be done by semi-skilled or unskilled male or female labour. Every engineering shop was to be reorganised with a view to unskilled men and women being introduced in the largest possible numbers, the work to be done being rearranged so that the skilled men employed should for as large a proportion of their time as possible be doing operations for which their special skill was necessary. This involved a complete revolution in the whole industry. In innumerable operations skilled men had been working machines by themselves, for part of their time preparing the machine for its task, which in the case of a modern automatic machine tool requires very high skill, but for the rest of their time merely feeding and watching. Wherever possible the skilled man must now devote all his time to preparing the machines—that is, “setting them up,” and must leave the task of feeding and watching them to unskilled men or women. In each engineering shop the “setter-up” should be a specialist preparing as many machines as possible for unskilled machinists.

The extent to which this specialisation of function is possible varies considerably in different kinds of shops. There are, of course, many machines which will continuously need the attention of a fully skilled man. But in many operations one skilled man can very well take charge of two or three machines with the necessary assistance from machine-men, while as the work becomes simpler the number of unskilled workers for whom the skilled man can set up increases, until the proportion may be as



great as one setter-up to fifteen or twenty machinists, male or female.

The first problem to be dealt with in bringing about this change was the fixing of the wages of the unskilled labour introduced. The trade unions definitely refused their co-operation until the rates to be paid were fixed. The rates were finally settled by the Committee appointed by Mr. Lloyd George, on which representatives of the various classes of labour concerned—skilled engineers, labourers, and women workers—sat. The main principles laid down were that where the unskilled or semi-skilled workers did work identical to that formerly done by fully skilled engineers they must receive the time-rates and the piece-rates of the men they displaced. Otherwise, women doing work not hitherto recognised as women's work were to receive the same piece-rates as the men displaced and were to be guaranteed £1 a week, and the unskilled men were to receive the labourer's time-rate, or when they were engaged on turning shells a special shell-turner's rate, ten shillings a week less than the skilled turner's rate for the district, but not less than 28s. a week.

When these rates were fixed and other safeguards promised in accordance with the provisions of the second schedule of the Munitions Act the Executive Councils of the four chief engineering trade unions promised their co-operation in furthering the scheme, and it was hoped that there would be no delay in carrying it out. The urgency was great, but while no estimate was possible of the extent to which the value of the skilled labour available would be increased, it was hoped that the gigantic demands which were contemplated for the spring and summer of 1916 would now be met. Unfortunately, the support of the Executives meant less than was at first hoped. The Ministry of Munitions immediately took steps to secure the introduction of unskilled labour on as large a scale as possible, and only then discovered how little the central officials of trade unions can be regarded as representing their members. In some districts they met with considerable success, but in others, and those not the least important, for they included the Clyde and Newcastle, they met with a dead-weight of opposition on the part of the shop stewards and the local officials of the unions, which threatened to put an end to all their hopes. This opposition the Government is now endeavouring to break down, but their success at the time of writing is by no means complete.

The causes of the opposition on the part of the workers are many. The issue was obscured in their minds by hatred of the

Munitions Act, which put powers into the hands of employers which they frequently abused. The widespread discontent caused by the Act strengthened the hands of the political extremists, whose only desire was to discredit the existing economic system as much as possible, while the conservative trade unionists refused to believe that such an Act could contain adequate safeguards, although it was definitely provided that a return must be made to all the practices and restrictions waived after the war. Their leaders had themselves drafted these sections of the Act, but they were not accepted as sufficient. This, indeed, is the real root of the matter. The exigencies of the present war have forced the State to combine with employers in bringing about a change in the engineering industry, which the workpeople have resisted for years. The workers are called upon to sacrifice a position which they have won as a result of a century of struggle. The vast majority of them are fully as patriotic as any statesman could desire, but it is easy for the advanced wing of the Labour movement to point to the changes going on and to comment bitterly on the fact that only the provisions of a schedule in a hated statute stand between them and the absolute ruin of engineering trade unions after the war.

The position is all the more difficult because the workers must take an active part in the change and must themselves train the labourers in whom they see future blacklegs. They must themselves become "setters-up" and, working at a time-rate of from 45s. to 58s. a week (with overtime in addition), must set up machines for unskilled men who will by piece-work in all probability earn considerably more than they.

The attitude of the employers does not improve the situation. Many, certainly are conservative, while nearly all complain that the rates they must pay to the unskilled labour introduced are too high. But there are a large number who are following the lead of the Government joyfully, realising that if they can train a sufficiently large number of labourers and women they will be able to defy the unions when the next big struggle comes after the war. They know that they can produce machines which reduce to a minimum the amount of skilled labour needed, and only the unions stand in the way of a new *régime* when shops are staffed by labourers and women. Writers in engineering trade journals have voiced these hopes, and the leaders of the labour opposition to the Government's proposals have not been slow to advertise their articles.

There is, indeed, a fundamental lack of sympathy between

the Government on the one hand and the employers and workers on the other. The Government's view is that success must be won in the war and that this is not the time to count the future cost. They have guaranteed the *status quo ante* to the unions and they now demand a clear field. But among employers and employees the words "after the war" are constantly uttered. No one believes that the war can last for ever, and everyone is looking forward to an end of the truce in the labour world. The conviction that the greatest war in the history of the world will be followed by an economic struggle on an equally large scale is extraordinarily widespread. It has become an obsession in the minds of many, both among employers and employed, and it is by no means certain that the Government will succeed in making them forget the future and think only of the urgent needs of the country in the present.

## THE PROVISIONING OF FRANCE AND THE MEASURES TAKEN BY THE GOVERNMENT TO THAT END.

ECONOMISTS are not those who will suffer least in this war—I mean economists of the liberal school—for they have seen all the principles that they taught and that were dearest to them—freedom of production, of circulation, and even of markets—mercilessly trampled under foot. The *régime* of requisitioning, of price-fixing, nay, even of rationing for the necessities of life, has become the normal state of affairs over a considerable part of Europe. It is true that economists have had some compensation in the abolition of import duties in most of the belligerent countries. But freedom of exchange has not gained; it is exportation that is now prohibited!

It is in Germany that State intervention is carried out both in the most extensive and in the most thorough manner. This was to be expected, seeing that Germany was already the land of military organisation, even in civil life, and that she is the country which has undergone the most severe economic pressure, in consequence of the blockade, and has had to organise herself not only against an enormous rise in prices, but also against actual scarcity in the case of a great number of articles. England, on the other hand, has up till now preserved the conditions of economic freedom almost intact; but not perhaps for long, to judge by projects which are announced for fixing maximum freights, and for prohibiting the importation of luxuries.

France is in a situation which may appear more favourable than that of either of the two countries I have just named; more favourable than that of Germany, since she has had no blockade to undergo, and, thanks to the English Fleet, has been able to maintain free access to all her ports. Her position is, in certain respects, more favourable than that of England, since normally France is almost self-sufficient, and has not, like England, to resort to importation from abroad for so large a part of her

food supply.<sup>1</sup> But, on the other hand, it must not be forgotten that, unlike enemy and allied countries, France has a part of her territory invaded, not very large in area (a little less than 4 per cent.), but very considerable in industrial production; for it is there that most of her coal and iron mines, her mills and factories of wool and cotton, her fields of beetroots and sugar refineries are situated. Even the wheat and potato crops have suffered considerable diminution from this cause. It is for this reason that the general rise in prices has been hardly less than in England, 30-35 per cent. on the average for foodstuffs, but much more for products particular to the invaded areas, such as coal, sugar, and yarn.

Nevertheless, the French Government has not had to resort to the same extreme measures as the German, notably to rationing. No product has yet been rationed in France. A Bill has, it is true, been brought in to ration coal, but it is doubtful whether it will be passed by the Senate, especially as the extraordinary mildness of this winter helps to make it unnecessary.

The fixing of a maximum price has only been employed up till now for two or three commodities.

So far as bread and meat are concerned, fixing prices is not an innovation due to the war. It is an old law dating from 1791; indeed, it is the oldest weapon in our legislative arsenal, and it empowers mayors to fix prices for these two commodities, whenever they judge prices to be too high. The law has always been in force, in spite of the protests of economists, who for more than a century have continually agitated for its repeal.

Mayors have made use of this power in regard to bread fairly often, though rarely in regard to meat. But the Government

<sup>1</sup> In 1913, out of a total importation of 8,231 million francs, France imported 1,803 million francs (£72,120,000) of foodstuffs (of which there were 613 million francs of wheat and flour), whilst England imported (the figures are for 1912) £262,000,000 of foodstuffs, and Germany 3,170 million marks (£150,500,000) of foodstuffs. This importation can scarcely be an eighth (12 per cent.) of the total French consumption of foodstuffs. It must be observed, moreover, that under normal conditions France exports 833 million francs' worth of foodstuffs, which she now retains. It would therefore have been permissible to suppose that during the war France would not have exported any foodstuffs, and would have only imported a small quantity. But it is not so, for the year 1915 gives us :—

Importation of foodstuffs, 2,549 million francs.

Exportation „ „ 544 million francs.

Thus the difference is over two thousand million francs. It is regrettable, but is easily explained. The increase of imports is due to the bad harvests of 1915, itself due to various causes which I shall refer to later. The larger part of the exports have been to England and to Switzerland.

rightly thought that the authority of the mayors to fix the price of bread would be useless in practice, or quite unfair to the bakers, if at the same time prices were not fixed for wheat and flour, the raw materials of bread. How could the mayors have maintained the price of bread at 40 centimes a kilogram if the price of wheat rose above 40 francs a hundred kilos? That is why the law of October 16th, 1915, fixed the price of wheat in the first instance at 32 francs, but for some time past at a maximum of 30 francs. This means to say that the Government has assumed the right to requisition wheat from the farmer, or from the merchant, at that price. Actually the State only uses this right very exceptionally, but the possibility of making use of it is sufficient to keep wheat practically at this price of 30 francs, since no one is willing, in buying it at a higher price, to run the risk of having it requisitioned by the State at 30 francs.<sup>1</sup>

The production of home-grown wheat not having been sufficient in 1915, as much owing to the invasion as to scarcity of agricultural labour, importation of foreign wheat has been necessary. The Government has bought this foreign wheat and has resold it in the departments which were in need of it. A body called "The Supply Commission" (decree of September 8th, 1914) has been entrusted with this important work. It acts under the authority of the Board of Trade (Ministère du Commerce). Between May and the end of December, 1915, the Commission bought 5,758,000 quintals of imported wheat at prices much higher than the price of 30 francs at which they re-sell to the consumer.<sup>2</sup>

The resultant loss is borne by the State, and a credit of 200 million francs has been voted for the purpose. In order to minimise this loss, the State has chartered fifty ships which are employed in the transport of cereals. A considerable saving is thus effected, for, as is well known, the high price of imported wheat is chiefly due to the enormous rise in freights (165 francs a ton for wheat from the Plate, instead of 20 to 25 francs before the war).

It cannot be said that these measures have been ineffectual. It is certainly thanks to them that the French consumer does not have to pay appreciably more for his bread than before the war,

<sup>1</sup> The regulation of prices for flour is left to the "préfets" of departments, because conditions of milling and of transport vary a little in different districts, but the prices that they may fix range within narrow limits, which are roughly from 40 to 42 francs a 100 kilos.

<sup>2</sup> As a rule, the Commission does not re-sell the wheat directly to consumers, but to the "Chambers of Commerce," which exist in all the big towns, and which undertake to distribute it as they receive orders for it.

*Translator's Note.*—A quintal is 220·46 lb. (100 kilos).

and even, a little less than in England<sup>1</sup> (about 10 per cent. less). As may be imagined, the farmers are not altogether satisfied at seeing themselves prevented from asking the maximum price for their wheat, which the law of supply and demand would give them. They resign themselves to it, however, with a good grace that is quite patriotic: "C'est la guerre." Nevertheless some of them not illogically remark, with a trace of bitterness, that since the law fixes the price of wheat it ought also to fix the wages of agricultural labourers, which have naturally gone up a great deal. "If," they say, "patriotism should forbid us to ask the maximum price for the product of our labour, our wheat, the same reason should equally prevent the labourers and farm-hands from exacting the maximum price from us for their services."

The Government has granted them a certain compensation by re-establishing (by a decree of October 16th, 1915) the import duty of 7 francs per 100 kilos of wheat, which had been abolished at the beginning of the war (by a decree of July 31st, 1914). The re-establishment of the Customs duty, which has scandalised all economists of the liberal school, and which, indeed, appears at first sight absurd in view of the problem of combating the rise in price and even the risk of famine, is, however, explained, if one reflects that as the law, by fixing prices, prevents the farmer's profiting from the rise, it is fair that it should guarantee him against a possible fall in prices which might result from the importation of foreign wheat. The fixing of a maximum limit implies the fixing of a minimum limit. In any case, the question is now without interest, since, the price of foreign wheat being absurdly higher than the national price of 30 francs, there is no importation except that which the State introduces at a loss.

The fixing of prices has had, moreover, certain unexpected and vexatious results, which well show how dangerous an instrument it is to handle. Thus it has happened that oats, not having come under the regulation of prices, have, without hindrance, risen in price above the price of wheat, namely, to 40 francs. But as at this price it is much more advantageous for the farmer to produce oats than wheat, it has come about that the farmer has preferred to sow his field with oats rather than with wheat, to the great detriment of next year's harvest; or that he has even preferred to feed his horses on his wheat and keep his oats for sale! It follows that the Government will find itself obliged to fix prices

<sup>1</sup> A 4-lb. loaf is 85 centimes in Paris and 8½d. in London, but it must not be forgotten that an English pound avoirdupois is a little less than 454 grams, thus 1,814 grams of an English 4-lb. loaf against 2,000 grams of the French 4-lb. loaf is a difference of 10 per cent. in price.

for oats also. Thus it is that when one has begun to fix prices for certain products one finds oneself led on, little by little, to fix prices for all of them. Such is the effect of the interdependence which exists between the prices of things, and is one of the curious aspects of what economists call, "the law of substitution" !

As regards meat, I have not heard it said that mayors have used their right of fixing prices, all the less because meat has not risen in price above the average rise (30-40 per cent.) of all food-stuffs. It is relatively easy to apply a fixed price or rationing to bread, as it is a homogeneous product, but the application of these measures to meat is difficult, because there are almost as many different qualities of meat as there are joints in a sheep or a bullock.

In some towns they have begun to open municipal butchers' shops. That is an indirect system of fixing prices, which has the advantage over direct regulation that no coercion is applied to privately owned butchers' shops, though it is as effective, or more so, as it acts by the pressure of competition. It is difficult for the privately owned shops to sell at a price higher than that of the municipal meat-shop, lest they see themselves deserted by their customers. In the town of Nîmes, where a municipal meat shop was opened on November 24th last, the experiment succeeded so well that it was necessary to open six branches in different parts of the town. Meat is sold by them at 15 to 20 per cent. below commercial prices.

In Paris the municipality, instead of opening butchers' shops on its own account, has preferred to delegate this task to the co-operative societies of the town of Paris and of the Department of the Seine, or, to be more exact, to the Wholesale Co-operative Federation which represents these societies. In point of fact, the enterprise does not extend to all butcher's meat, but only to frozen meat. It must be pointed out that, until the war, frozen meat did not enter France : it was shut out by the prohibitive Customs duty of 36 francs a 100 kilos. The protests of consumers in general, and of the co-operative societies in particular, had not been able to obtain the abolition, or the reduction, of this duty, for a simple reason : the Chamber of Deputies dared not rouse the discontent of the agricultural interest. It is only through the war that the door has been opened to frozen meat.

But as nothing was organised for the transport of this meat, for which special ships are necessary, the Government was obliged to apply to England. It is from England that it buys frozen meat to hand over to the co-operative societies, to whom it is



delivered at 1 franc 62 centimes the kilo, and in addition a discount of 20 centimes on each kilo sold is granted by the State, as a subsidy.

Some anxiety was felt as to whether the working classes, who patronise the co-operative societies, would appreciate this meat. The poor are not so ready to change their tastes or their habits as the rich. But the experiment, which only dates from the end of January, appears destined to be a great success. The population of Paris has given a warm welcome to the "frigo," as they already call it familiarly, and the sales are all that could be desired.

In the midst of earth-shaking events this is one of relatively little importance, though none the less of twofold interest: first, because it introduces a new product which may in the future considerably reduce the cost of living to the French consumer; and, above all, because it gives a quasi-official rôle to the co-operative societies, which up till now have been regarded unfavourably in France. It makes them almost a national institution.

As regards meat also, it must be pointed out that there are various orders forbidding the slaughter of calves and lambs, to permit the flocks and herds in the country to make good their numbers, which have been greatly encroached upon by the abundant supply of meat to the armies.<sup>1</sup>

But from all accounts these orders have remained almost a dead letter.

\* \* \* \* \*

This is as far as State intervention has gone at present for provisioning the population in France. As can be seen, it has been very moderate. But will the matter rest here? It is probable that such action will be yet further extended, especially if the war is greatly prolonged, as in the Chamber of Deputies the numerous and influential Radical-Socialist party makes efforts in this direction.

Various Bills have already been brought in; some have even passed through the Chamber, but are not yet ratified by the Senate. These projects tend to enlarge and to intensify State intervention in four directions simultaneously.

1. To extend regulation of prices to all products, not only foodstuffs, but other goods. The Government has, however, restricted this over-ambitious Bill, limiting it to the power of

<sup>1</sup> The number of oxen and cows, which was above 14,800,000 in 1913, was not more than 12,286,000 last July—that is, a decrease of 17 per cent. It is partly due to the invasion, but still more to consumption by the Army, which is 500 grams (more than a pound) a day for soldiers at the front and 300 grams a day for those behind the lines, whilst the average working-class consumption in France is not a third of this figure, even for adult males.

imposing maximum prices for necessities of subsistence, fuel, and lighting only. It is a limitation which admits a long catalogue of commodities, since it comprises everything that is sold in dairies, grocers', fruiterers', confectioners', and other shops for the sale of fuel or foodstuffs. But it is probable that before passing the Senate the Bill will be restricted to a few commodities specifically enumerated,<sup>1</sup> probably milk, butter, sugar, coal, paraffin oil, and perhaps agricultural manures, though it may be difficult to fix prices for this latter. As regards sugar, it may be said that regulation of prices exists already, if not by law, at least by Government pressure, for the Minister of Commerce recently told the syndicate of dealers in sugar that he would not allow sugar to be quoted above the current price of 75 francs per 100 kilos, and that if this price were exceeded he would requisition sugar.

2. To extend the right of requisitioning goods from the merchants, and even from the producers, a right which up till now only exists as regards wheat.<sup>2</sup>

It is clear that in order for the State to exercise the right of requisitioning, it must first know where, and in whose possession, the stocks of produce are to be found, and in consequence those in possession of them must be compelled to declare them. This is the object of a Bill unanimously passed by the Chamber:—"Every producer, vendor, trustee, holder, or owner of the materials referred to in this Act will be required to declare his stores, whenever called upon to do so by the prefect. In case of refusal, or of false declaration, the penalties shall be . . . &c."

This Bill has been completed by another one to punish "cornering"—that is to say, the act of accumulating goods, apart from any other fraudulent manœuvres, in order to keep them to re-sell with big profits, when their scarcity shall have had the expected result of forcing up the price.<sup>3</sup> It is well known that economists consider such an operation to be perfectly legitimate,

<sup>1</sup> Sugar only, from the latest news.

<sup>2</sup> A Bill of last November plans a vast system of requisitioning, of regulating prices, and of the distribution of coal, but appeared so difficult of application, and gave rise to such sharp criticism, that it is doubtful whether it will be passed by the Chamber, quite apart from the Senate.

<sup>3</sup> In the Chamber of Deputies the Minister for the Interior quoted as examples in support of the Bill the case of two merchants. One had bought a million eggs at 85 francs in April in order to sell them again at 170 francs in December, the other had bought 300,000 kilograms of butter in September, 1914, at 2 francs 50 centimes the kilo, to re-sell now at 4 francs. It was rightly remarked that these examples were not conclusive, for though they involve an element of speculation, as all commercial operations do, it does not follow that they have done any harm to the consumer.

and even calculated to benefit the consumer in the long run, and this thesis perhaps holds good in normal times. But public opinion does not regard it with so serene an eye, and at all periods in economic history, especially in France, the idea of cornering has haunted the popular imagination like a nightmare. At the time of the Revolution it cost the life of more than one innocent man. It can easily be understood, then, that the Government, even when it does not share these often enough childish terrors, considers it political wisdom to reassure the people that it is armed against this danger.

3. To entrust the right of exercising the measures for regulation of prices and requisitioning no longer to mayors, which was the rule till now, but to "préfets." This means to say, no longer to representatives elected by the towns, but to administrators appointed by the Government. Indeed, the members of the Chamber of Deputies well know (and they are in a position to know!) that every elected representative is dependent on his electors, and they think, in consequence, that a mayor would refuse to exercise his right to fix prices or to requisition for fear of displeasing his electors, among whom the trading class is the most influential. And they think that the prefect, as he is only under the orders of the Government, will have more independence and more authority to apply the law. This would appear to be well founded, but it is none the less ironical to find such an instance of distrust of the electoral system in the mouths of Socialists and Radical-Socialists. The Government, on the other hand, has not shown itself very eager to accept the extension of their powers, and asked that these should be left to representatives of the municipalities. It has urged that economic needs and conditions vary in each locality, and in consequence the local authorities can alone appreciate them. A "préfet" whose authority extends over a fairly large area can only frame general measures, uniform for the whole length and breadth of his department, and this risks their being either uselessly annoying or ineffectual.

4. Lastly, a Bill introduced by the Minister of Agriculture must be noted. It is to compel landowners to cultivate their lands, and in cases in which they are unwilling, or unable, to do so to give the communes the right to cultivate them themselves, and to keep such part of the harvests as may be necessary to pay the expenses.

This Bill is the most completely Socialist measure which has been proposed, up till now, of all the war legislation. And a remarkable thing is that the Minister of Agriculture, M. Méline, is one

of the best known leaders of the land-owning class and of the Conservative party. The explanation of this almost revolutionary measure is that a large deficit is feared for next 'arvest, for one reason because the area of land in cultivation has considerably decreased (by about 740,000 hectares), on the other hand because the lack of labour and of manure leaves much to be desired in the methods of cultivation.

It would be interesting to inquire if these various forms of State intervention, and generally all that the Germans call *Krieg-Sozialismus*, is destined to disappear with the war, or to survive it? It would be premature to attempt to answer this question, for the reply to it will partly depend, perhaps, on the result of the war. If Germany succeeds in offering an invincible resistance to the Allied forces, it is certain that the prestige of the State-Idea, of which she is the representative type in the world, will have greatly gained. The power and virtue of organisation, based on authority and discipline will be celebrated in all countries, not only in the political and military world, but even in the economic world. The people will continue to respect and to maintain the institutions, and even the forms, of slavery to which they will believe they owe their safety. In the other event, a sharp reaction to individual liberty, and against all the measures we have just inquired into, may be expected, perhaps even in Germany. All the same, it must be supposed that as a result of the enormous taxes to be raised for the service of the war loans all the belligerent countries will have to resort to monopolies, to exploitations, probably in the form of *Regies*, as we say in France, of alcohol (probably), and perhaps of sugar, coffee, and paraffin oil, which will constitute real control over consumption by the State.

In any case, I believe and hope that after the war there will remain in France, as a definite gain, the conception that consumption is a national function which should not be left to rings of merchants, but should be really organised, either by municipal control or, better still, by the combination of the consumers themselves.

CHARLES GIDE

## GERMAN WAR FINANCE IN 1914.

ALTHOUGH the measures adopted by the German Government to meet the financial crisis at the outbreak of the war are now fairly generally known in this country, there is perhaps still room for a rather more detailed account than those with which we are familiar, more especially in view of the unexpected success of the German war loans. It has been frequently asserted that these loans are in reality fictitious, and that the whole system of war finance has been planned with the object of creating capital out of paper. In order to form a just estimate of the extent to which such a policy can now be, and has been, adopted, it is necessary first to be perfectly clear about those measures passed in the early months of the war which affected the currency and banking laws. But I propose here to confine myself to a consideration only of the measures and figures of the first year of the war.

It would likewise take me outside the limits which I propose to set myself to consider in any detail the *status quo ante bellum* of German banking. But inasmuch as the most striking fact about the war finance in that country is that, "unlike elsewhere, it formed no definite break with previous policy, it is necessary to emphasise certain facts. Of those the most important are : (1) That the Joint Stock banks had to a quite exceptional degree locked up their fluid capital in industrial concerns, "either by actually holding stock or by repeatedly increasing three months' credit ; (2) that these banks, owing to their increasing wealth, were, as has been also the case in England, growing more and more independent of the control of the Central bank ; and (3) that the Government had for some time past attempted to counteract this tendency by a series of measures which will be summarised below.

The results of the first of these facts in the event of an outbreak of war are obvious. The banks had mortgaged their claims over current goods ; they had specialised an unspecialised purchasing power, whereas their clients had not. In so far as they held stock they would not be able, with the Bourse closed, to meet the demands of their customers, nor, if their industrial

speculations took the form of prolonged credit, could they call in that credit without threatening to ruin the industry of the country or rediscount at the Reichsbank without threatening the stability of that institution or their own when the bills matured. In fact, instead of being strictly speaking bankers, they were investors, speculators, and stags; their capital was immobile, and, should industrial, as distinguished from financial, disaster arise the blow would be dealt direct on the diaphragm of the economic being.

The German Government had, then, two facts to face; bad banking and the weakening of the control of the Reichsbank. It determined not only to remedy these defects, but at the same time to prepare the credit system to meet the intensified difficulties which must arise should Germany be involved in war. The first step it took, therefore, was to make the banks reform themselves by enforcing in 1906 the publication of balance-sheets every two months. Owing to the peculiar relations between the Reichsbank and the Government it was possible in some degree for the latter to achieve its second object without direct legislative action. Instead of endeavouring to make the other banks more directly dependent on the Reichsbank it determined to strengthen the position of the Reichsbank itself, both in peace and in war, and to do this by increasing the reservoirs of gold over which the Reichsbank had, or should have, control. Such reservoirs of gold may take either of two forms. They may consist of an increased absolute and percentage reserve behind normal credit, or of a lake of definitely withdrawn gold. They may, moreover, be constructed either by importing gold from abroad or by replacing gold in circulation by some other form of currency. In Germany reservoirs of both descriptions were constructed, and both means of construction were adopted. The gold reserve in the vaults of the Reichsbank increased from—

917·2 M.M.	July 23rd, 1911, to
979·1 M.M.	1912 "
1156·7 M.M.	1913 "
1356·9 M.M.	1914 "

(M.M. = million marks.)

In addition to this it was determined by the law of 1913 to double the war chest of 120 M.M. which had been deposited in the Juliusturm from part of the proceeds of the indemnity obtained from France after the war of 1870, and to add a silver reserve of an equivalent amount. Part of this extra demand for gold was, as I have said, met by direct importation; the rest by withdrawing gold from circulation by means of a series of laws beginning with that of 1906, by which Reichsbank notes of 50 and 20 marks

were allowed to be issued. These notes were, of course, convertible; but the tendency is for small notes to remain longer in circulation than those of higher value, and, moreover, they could be issued at any of the Reichsbank's 458 branches, and were only convertible at the Hauptkasse in Berlin. With a similar object in view the Government determined to issue its own Reichskassenscheine (amounting since 1892 to 120 M.M.), in values of five and ten marks. It would scarcely be correct to include as an essential part of this policy the raising of the legal, untaxed quantity of notes from 450 M.M. to 550 M.M. in 1909, as that measure was only in accordance with the precedent of raising the limit as the demand for credit and the wealth of the country increased. Rather should emphasis be laid on the provision of this law making banknotes legal tender. Finally, by the law of 1913, the quantity of Reichskassenscheine was increased from 120 M.M. to 240 M.M.; and, since these act as a legal backing for notes equivalent to gold, the result was to empower the Reichsbank to put 360 M.M. more notes into circulation until the taxable limit was reached, or 120 M.M. after that point without fiscal costs. This measure, indeed, did not help to deepen the reservoir of gold, but it helped to cover the cost of the new war chest, and it helped to accustom people to the use of paper.

It is difficult to obtain accurate accounts of what exactly happened in the first few days of the crisis. All writers speak of the *Verwirrung* at the threat of war, and most seem to agree that the financial world as a whole, with the exception of the Reichsbank, lost its head. We know that the paper to which the Government had striven so strenuously to accustom the people was refused by shopkeepers; that all credit was denied, and cash demanded for the smallest purchases; that there was a serious run on the savings banks, and to a less degree on other banks; that the banks demanded extra cover for their advances, and practically ceased to discount bills. Whether or no they refused payment to their depositors seems to be uncertain, but on July 31st the Reichsbank gave notice that it would no longer pay in gold, after having, according to Professor Eulenberg, who, though perhaps the least prejudiced of the German economists, is not always reliable in his figures, lost 100 M.M. in a single day. There were, in fact, two immediate difficulties to be overcome. The first was the lack of currency owing to short credit and paper being refused and gold being stored; the second, the demand for credit consisting of the normal demand, which the banks refused to meet, the normal and abnormal concentrated demand owing to immediate

payments being universally claimed, and the abnormal demand of those who, thinking they would in any case be ruined by the war, struggled to prolong their existence for a time at other people's expense.

The first difficulty was overcome, initially (in some districts) by the issue of *Notgeld*, more gradually by the utilisation of the 11.8 M.M. of silver which had been accumulated in the *Juliusturm*, by the depletion of the stock held by the Reichsbank, which lost 257.9 M.M. of its non-gold metal currency between July 31st and December 31st, by the issue of small notes, and by the declaration of a limited moratorium. The paper currency took two forms, namely, *Darlehenskassenscheine*, of which by the end of the year 65.5 M.M. in 1 mark notes, 185.8 M.M. in 2 mark notes, and 225.4 M.M. in 5 mark notes had been issued, and banknotes of 20 M., the legal limit to which, 300 M.M., was removed, and which, together with all Reichsbank notes, were made inconvertible. Of these various currencies the banknotes and silver (by the law of August 4th) were legal tender, and the *Darlehenskassenscheine* possessed a *Kassenskurs*, that is, were accepted at all Government institutions and at the Reichsbank.

Germany has prided herself considerably on the fact that she alone of the belligerent Powers was able to avoid a general moratorium. In point of fact, she declared two restricted moratoria, which, together with the suspension of her Bank Act, produced practically the same result with greater uncertainty and confusion. But, as Professor Eulenberg very justly says, "The whole question should be looked upon as one of pure expediency. Neither is the decree of a general moratorium in war a sign of any particular financial weakness (*ein Zeichen von besonderer Schwäche der finanziellen Leistungsfähigkeit*), nor is the fact that we established no general moratorium to be considered alone as a sign of any particular strength." A distinction was made between the, what in Germany they prefer to call, *Zahlungsfristen* which affected ordinary debts and those which affected bills of exchange. It was in reference to the former that confusion arose. Practically a general moratorium was proclaimed three months from date of the decision of the courts when appeal was made; but a proviso was added that it should only be enforceable when the delay in payment "did not bring the creditor disproportionate damage." The intention, it is true, to prevent abuse of the privilege was justifiable; but this object could probably have been more economically achieved by the imposition of a fairly heavy rate of interest. On December 22nd this moratorium was



extended for another six months in the case of debts arising from mortgages or rents. In addition to this a debtor was able to escape the bankruptcy court in all cases in which there seemed to be a probability of his being able to meet his debts after the end of the war, by obtaining from the courts the right to put himself in the hands of a trustee (*Geschäftsaufsicht*) as a protection against his creditors.

By the law of August 4th the Bundesrat was given wide powers to decree these moratoria and to prolong them should occasion arise. In reference to bills of exchange a series of proclamations was made which it is not necessary to give in detail. The position was somewhat exceptional, as according to German law the holder of a bill must present it within two days of maturity, and in case of non-payment notify the drawee of his intention to exercise his *Regressrechte* within two days; and owing to the mobilisation this was rendered impossible. On August 4th, therefore, the two days were extended to six, and on August 29th to fourteen, after the cause of delay had been removed, and on August 6th a further proclamation allowed thirty days from the date of publication for the execution of a bill. In addition to these a series of special decrees was made affecting bills drawn or payable in Alsace-Lorraine, East Prussia, and parts of West Prussia, postponing the date of payment as occasion demanded. Against foreign bills the debtor was given greater protection. On August 10th a three months' moratorium was declared with interest payable at 6 per cent.; the time was extended on October 22nd for another three months, and on January 18th for yet another. But owing to the peculiar restrictions of the law the debtor was not permitted to pay at any intervening date without the creditor's consent; and as not a few creditors seem to have considered these bills a fair investment at 6 per cent., and refused permission to pay, the Reichsbank came to the rescue of the debtor, and volunteered to take up such bills.

Of these various moratoria, then, the first checked in some degree the abnormal demand for currency, and with the others met in a negative way part of the exceptional demand for credit. Positively credit was supplied by the erection of a number of special institutions under the control of the Reichsbank. Of these the most important were the Darlehnskassen, and it is worthy of note that not only was the establishment of these institutions determined upon before the outbreak of war, but the actual *personnel* of the ninety main branches had been appointed. The official head of these institutions was, of course, the Imperial Chancellor,

and the Reichsbank was represented on the central committee of seven by its President and another member of its Board of Directors. The activities and functions of these 'banks' are well known. They were a form of pawnbroker, which issued paper, Darlehnskassenscheine, for pledges, which were stamped and returned to their owners. The amount of this paper was at first limited to 1,500 M.M., and on November 11th increased to 3,000 M.M. It was not itself legal tender, though possessing a Kassenskurs, but could be converted at the Reichsbank into notes, which were both legal tender and inconvertible, and was reckoned as gold together with the Reichskassenscheine for backing those notes. The collateral against which these paper advances were made was divided into five groups:—

- |  |                 |
|--|-----------------|
| (1) Imperial and State Bonds on which loans were made up to 75 per cent. of their July 25th price.                       |                 |
| (2) Local loans and stock of land and mortgage banks and other Trustee Stock quoted in the official list ... ..          | to 70 per cent. |
| (3) Other Trustee Stock; and non-Trustee Stock quoted in the official list, and the so-called home Ultimo Papiere ... .. | " 60 "          |
| (4) Foreign Ultimo Papiere ... ..  | " 50 "          |
| (5) Goods and other stock ... ..   | " 40 "          |

The rate of interest was to be above bank rate, and was actually fixed at  $6\frac{1}{2}$  per cent., but was lowered to 6 per cent. for those advances made to facilitate the purchase by clients of the first Government loan.

These institutions were used not only by private individuals, but also by co-operative societies, banks, and especially savings banks, which were in sore need of support. But there can be no doubt that their prime object was to assist in financing the first Government loan. It has often been said that they formed a means by which fixed capital was made fluid. Such a transformation is, in fact, impossible. Actually they gave the Government power to acquire a certain percentage of the current flow of goods and services, through the media of paper, by receiving a collateral backed promise from those borrowers who were potential purchasers of the new loan that they would abandon their claims to an equivalent extent. The individual obtained paper for the goods which he pledged, he returned that paper to the Government by buying the new loan, the Government in its turn paid out the paper to acquire the goods of which it had need. But ultimately the borrower had also to redeem his pledge. If the pledged goods were what the Government required for the conduct of the war, then they would in the end be sold to the Government, and the ultimate result of the whole process would be that the individual

borrower from the Darlehnskasse lent these goods to the Government; but, if they were not, nothing excepting foreign sale could make them 'fluid.' The Darlehnskassen could, in fact, only help directly to finance the loan (1) by helping and inducing individuals to save, and (2) by the amount of the outstanding paper. They performed the first of these two functions in the main by making advances to subscribers to enable them to pay their instalments in advance, but not very much in advance, of having saved the requisite amount of capital. This is made clear by the figures given by Professor Jastrow according to which the greatest amount of the so-called "Kriegsanleihe-Darlehen" outstanding at any moment was 921·8 M.M. on December 31st, which was reduced to 704·4 by January 12th, and according to Dr. Helfferich to 300 M.M. by March. This did no doubt form no very large percentage of the total loan of  $4\frac{1}{2}$  milliards, and it cannot be said that during the first year of the war the indebtedness of the Darlehnskassen tended to increase. The highest figure was reached in April, 1,413·3 M.M., and from that date there was a gradual diminution. On the other hand, though these loans were of particular use in assisting the country to withstand the first onslaughts of the crisis, as the public knew after the closure of the first credit that further loans would have to be raised, and as these loans were announced sufficiently long beforehand, and there was, therefore, no sudden and unforeseen demand on the nation to save, the importance of these temporary advances should tend to diminish. The Government must ultimately be mortgaged to the future to the extent of the notes outstanding, at the end of the war, and of the Reichsbank's notes created on their cover. But it is not true, as is sometimes stated, that as the Government can only make use of the notes it acquires by purchase of Government debt by paying them out again, paper must be accumulatively over-issued, for obviously the loans made by the 'banks' must be repaid. It must be remembered, too, that after the outbreak of war the Reichsbank practically confined itself to discounting, and that the Darlehnskassen, which for all intents and purposes are supplementary branches of that institution with specialised functions, took over the bulk of the loaning business which before the war would have been done by the Reichsbank.

I have devoted so much space to these Darlehnskassen because they are the most important of the extraordinary credit institutions in Germany. Supplementary to them were städtische Darlehnskassen, which made advances up to 3,000 M. of three months' credit, with a final time limit of one year, at a rate of interest  $\frac{1}{4}$  per

cent. above that demanded by the similar State institutions. These advances were made on "hinreichende Sicherheit," that is, as Professor Jastrow says, credit that sufficed to induce the towns to lend, but was too bad for the other Darlehnskassen. A considerable number of bad debts seem to have been made, mainly because there was a general failure to distinguish between credit demanded by those who could not meet their obligations and credit for productive purposes. In fact, there were also special institutions founded for the latter purpose, called Kriegskreditbanken, the demand for the services of which was found to be unexpectedly small. These latter, which were essentially industrial institutions, were sometimes of a general character, as was the case of those in the Hanseatic towns, with a considerable capital, to which the municipality often subscribed, and were sometimes confined to special trades, or classes of tradesmen, and were similar in many respects to the existing co-operative credit institutions. The former were supported indirectly by the Reichsbank, which offered to discount their bills, first to three and finally to five times the amount of their capital.

The Reichsbank was, in fact, the central reservoir of the whole irrigation scheme of credit. It helped, as we have seen, to feed the new channels which had been cut; it restored the dried-up waters of the great discount banks, it was the source from which the Government drew both in the first weeks of the war and when the supplies from public loans became exhausted. To render the Reichsbank capable of meeting these concentrated demands on its resources a series of laws was passed, of which, though some have already been mentioned, a summary may well be made here.

First, then, the notes of that corporation were made inconvertible, and the tax on the issue above the legal free limit (550 M.M.) was removed. But no quantitative modification was made in the law requiring a cover of 33·3 per cent. of gold (or Reichskassenscheine and notes of other banks) behind the notes outstanding. This fact is of importance for two reasons. On the one hand, the necessity of this cover acted as a check to the amount of paper which could be issued. If the demand for credit or currency increased it could only be met by the Reichsbank adding to its store of gold, or by the Government increasing, as it did, the quantity of paper legally possessing the same power as gold. On the other hand, since the notes could not be exchanged for gold the *immediate* value of the gold backing was mainly psychological. In natural correlation with this, and as the logical sequence of its past policy, the Government handed over to the

bank the store of gold which it had accumulated in the Juliusturm. There seems to be some uncertainty in Germany as to what this sum actually amounted to. The figure generally given is 205 M.M., that is, the original 120 M.M. + 85 M.M. collected since 1913, and this figure is in accordance with the statement made in the report of the Reichsbank at the close of the year 1914.<sup>1</sup>

The second important law affected the Reichskassenscheine, which were made inconvertible and legal tender. Silver was given a similar currency power, and finally the Darlehnskassenscheine were, as we have seen, added to the existing paper money. They were not legally enforceable as quittance for a debt, but they were exchangeable at the Reichsbank for notes, and were placed on the same footing as Reichskassenscheine as backing for those notes. It was to the advantage, therefore, of the Reichsbank to acquire as many as possible of these Scheine as it was then able to issue for every Schein held three times as much of its own paper.

By a supplementary law of March 22nd, 1915, the system was still further complicated, owing to the permission thereby given to the Reichsbank to issue still another 120 M.M. of Reichskassenscheine, which were to be backed, cent. per cent., either by gold or Darlehnskassenscheine. The object appears to have been to increase the quantity of small notes, as it was expressly stated that the Reichsbank might withdraw the outstanding 10 M. Reichskassenscheine, and issue notes of that value and Scheine of 5 M. up to 240 M.M. There resulted, therefore, no actual increase of the paper currency.

On August 2nd the bank rate was raised to 6 per cent., and the lapidescence of the credit of the joint stock banks in part dissolved by the Reichsbank discounting their bills with its notes. But though the Reichsbank adopted a liberal policy it frustrated the attempt that was made to load it with bad debts by making it abundantly clear at the outset that it would not assist those to whom the other banks had refused credit.

From the evidence which we have before us it is possible to calculate roughly the greatest possible quantity of paper currency which the German Government could have forced into circulation

<sup>1</sup> The Imperial Chancellor spoke in his speech to the Reichstag, August 2nd, 1914, of the emptying of the war chest of its original amount, 120 M.M., and of the new store of equivalent value and its payment into the Reichsbank. The supplementary budget reckoned the total sum of gold + silver at 300 M.M. The Report of the Public Debt Commissioners (March 21st) reckoned the gold increase at 75 M.M., and stated that the collection of silver had not been begun. Cf. Dr. J. Jastrow, *Geld u. Kredit im Kriege*, p. 15.

in the first year of the war. In so doing it is legitimate to ignore the notes of all banks of issue save the Reichsbank.<sup>1</sup>

The limit set to Reichskassenscheine, other than bullion certificates, was ... ..	240 M.M.
The limit set to Darlehns, other than bullion certificates, was ... ..	3,000 M.M.
The highest figure to which gold in the vaults of the Reichsbank reached, was (July 31st) ... ..	2,445.2 M.M.
	<u>5,685.2 M.M.</u>

If, then, the Darlehnskassen had lent up to their legal limit, and the Reichsbank had managed on July 31st, 1915, to collect the whole of their outstanding notes and all the Reichskassenscheine, it could have issued its own notes to the amount of 17,055.6 M.M. In practice, of course, the Reichsbank could never have accumulated all the paper of the Government and those supplementary credit institutions. But it is not without interest to calculate thus the final theoretical limit to the powers with which the Reichsbank was endowed.

The financial system was, in fact, extremely ingenious and extremely dangerous in conception, and one which necessitated the most judicious application. If we compare the figures which I have just given with those of the actual quantity of paper issued, it will be seen that, though the amount in circulation was considerable, neither the Reichsbank nor the Darlehnskassen were ever during the first year of the war in measurable distance of their legal limits. In April, when the loans of the latter institutions touched their highest point, the figures were :—

Darlehen ... ..	1,413.3 M.M.
Darlehnskassenscheine in the possession of the Reichsbank	752.0 "
" as cover for Reichskassenscheine ...	12.0 "
" in active circulation ... ..	649.3 "
" + Reichskassenscheine in the Bank	768.5 "
Bank notes ... ..	5,310.6 "
Gold in Bank ... ..	2,368.5 "

I give the April figures as being the highest for the Darlehnskassenscheine. By August 31st they had sunk to 1,020.4 M.M., of which 101.5 were held as cover for the supplementary Treasury notes. But, on the other hand, the Reichsbank notes had increased to 5,564.3 M.M., 59.7 M.M. short of their maximum for the year which was reached in March.

More important, however, than the absolute quantity of paper currency is the excess at any given date over the active circulation on the same date in the preceding year. I will for this purpose

<sup>1</sup> The notes of the other Banks of issue were not made inconvertible, but convertible into Reichsbank notes.

take the May figures, as by that time the advances by the Darlehnskassen made to assist purchasers of the war loan, which we are told amounted to 778 M.M., were being refunded, and as, on the other hand, we are able to avoid the influence of the publication of the half-yearly balance sheets on the June, and the incipient crisis on the July figures of 1914.

	M.M.	M.M.
Note circulation, May 31st, 1915 ... ..	5,317·9	—
„ „ „ 1914 ... ..	2,013·9	—
Difference	—	3304·0
Reichskassenscheine in Bank, May 31st, 1914 ... ..	60·8	—
Leaving in circulation <sup>1</sup> ... ..	144·2	—
Reichskassenscheine und Darlehnskassenscheine in Bank, May 31st, 1915 ... ..	445·3	—
Of which Darlehnskassenscheine represented ... ..	417·4	—
Leaving Reichskassenscheine in circulation ... ..	212·1	—
To which add those backed by Darlehnskassenscheine ... ..	42·4	—
Total ... ..	254·5	—
Excess over 1914 ... ..	—	110·3
Darlehnskassenscheine in free circulation ... ..	—	674·3
Gold in Bank, May 31st, 1915 ... ..	2,379·5	—
„ „ „ 1914 ... ..	1,313·2	—
Difference to credit ... ..	—	1,066·3
Excess ... ..	—	3,022·3 (£151,100,000)

<sup>1</sup> Taking the presumptive July figure, 205 M.M., being the only one available.

This figure represents the excess of paper (ignoring other issue banks); to find the excess of currency we must add 205 M.M. gold from the Government War Reserve and 11·8 M.M. silver, thus raising the amount to 3,239·1 M.M., or no less than £162,000,000. The date which I have taken, moreover, was a favourable one—the pure gold reserve against notes + deposits, 34·9 per cent., was above the monthly average of the year August, 1914—July, 1915, which was 31·6 per cent., as, too, were the reserves, 44·7 per cent., against notes alone, and 30 per cent. against notes + deposits + Kassenscheine + Darlehnskassenscheine.

But neither the absolute nor the percentage ratio of the reserve forms alone any fair criterion for judging the stability of German credit. It must be remembered that the notes are inconvertible, and that this accumulation of metal, which is used so largely for advertisement purposes, in addition to backing the internal credit, is liable to be used by the Government at will for export purposes. Moreover, a percentage reserve against paper currency has little meaning unless it be considered in relation with the absolute increase of that currency. It is obvious without

further proof that as the total quantity of circulating paper currency expands beyond the normal, the percentage as well as the absolute reserve must also increase in order to maintain any given degree of security. This fact is, no doubt, fully realised in Germany, and helps to explain the epidemic of enthusiasm with which the game of "hunt-the-gold" was conducted. Perhaps, too, it explains the pessimism of the members of the Bundesrat, who thought it necessary to pass a law on November 23rd, 1914, making the selling of gold at an enhanced (paper) price a criminal offence punishable with a year's imprisonment and a fine of five thousand marks. It has been presumed for purposes of calculation above that all the coin which has flowed since July, 1914, into the vaults of the Reichsbank has been withdrawn from circulation in Germany. But though no statistics are available we know that that is, in fact, not the case. Belgium was drained of gold, and German indebtedness then cancelled by credits against which, it is reported, the Société Générale de Belgique was empowered to issue three times the quantity of notes; and it is generally believed that a certain amount of metal has been despatched from Austria. These facts are important for two reasons. On the one hand, they indicate that the figures of the increase of German currency given above are considerably below the mark; on the other, they conduce to the obvious inference that the indebtedness which the German Government will ultimately have to cover is greater, and the future suction upon the reserve of the Reichsbank will be more important than might otherwise have been the case.

It is often claimed by German economists that though the banknote has been made inconvertible and the tax-free limit removed, the mainspring of the financial mechanism has not been tampered with, as the one-third metal backing is still necessary, and the restrictions as to the nature of the collateral have not been eased. But in point of fact these restrictions have been eased. One of the first problems with which the Government was faced was that of raising a temporary loan to cover the cost of the mobilisation and the conduct of the war during the first few months. It solved this problem by a law of August 4th, by which Treasury bills could be discounted at the Reichsbank and act as a collateral against notes. It is not possible from the Reichsbank return to discover to what extent it has financed the Government in this way and increased the currency against unfunded debt, nor were any figures published in its annual report, although those for the discounting of the so-called Zoll-



Kriegswechsel, by which in a more indirect way the bank also supported the Government, were duly furnished.

During the year under consideration Germany succeeded in raising two loans amounting together to 13,520 M.M. The extent to which that capital sum is represented by paper inflation has been very roughly calculated above. The extent to which it must be discounted is calculable by reckoning the rise in the general level of prices over the apposite series of dates.

Had the war ended within the year, as Germany expected, the ingenious and complex financial system might have proved successful. But with the prolongation of the war and the national dividend sinking as the currency grows its economy becomes negative and danger obvious.

A. LOVEDAY

## GERMAN POTATO POLICY.

FROM the first months of the war until the present day the story of German official activities in connection with the food problem (bread corn only excepted) constitutes a record of inefficiency and prevarication which it is difficult to reconcile with popular notions of Prussian efficiency. The most instructive of its failures occurs in connection with potatoes; a foodstuff which has ranked second only to corn as a centre for economic discussion. The story of the Imperial Government's attempt to secure a reasonable distribution of this commodity is one which throws some light on the influence of the agrarian interest in economic affairs. Incidentally, too, it serves to illustrate the possibilities of maximum price legislation.

The story begins somewhere back in those far off days, the autumn of 1914, when the national faith in maximum prices received its first rude shock from the developments of such legislation in the corn trade. But there are maximum prices and maximum prices—and if the Government realised from bitter experience that a fixed wholesale trade price had brought about “intolerable” conditions in the corn market, it also realised that such evils might be circumvented by confining the statutory rates to the actual producer, leaving the wholesale and retail trader free, or subject only to the legislative efforts of military and local authorities. Growing complaints of scarcity and high prices in the potato market were met, therefore, on November 23rd, 1914, by a scale of maximum producers' prices for the whole Empire, supported in many cases by the local imposition of wholesale or retail rates.

The result of this measure might have been easily predicted. Supplies were withheld from the market, and the afore-mentioned scarcity continued, to the accompaniment of a chorus of protest from the Socialists to the effect that supplies were being stored for speculative purposes, and from the agrarians to the effect that frost and transport difficulties made it impossible for them to market goods. Meanwhile a general suspicion was felt that an insufficient potato supply was being unduly depleted by hordes of hungry pigs. For a time, indeed, these maligned animals earned for themselves

the name of "potato devourers," with the result that during January and February they were subject to what was subsequently described as panic slaughtering on an extensive scale—action for which the German consumer is now paying the price.

This, then, brings us to the early part of 1915, and what might almost be called the February potato famine. Retail prices were rising, and in spite of it in many parts of Germany, notably Berlin and the industrial west, it was literally impossible to obtain potatoes. In many cases, too, the difficulties were intensified by heavy-handed local price legislation, and municipalities were forced to fall back upon their own accumulated supplies, doling them out to the public at moderate rates, which, nevertheless, were abnormally high as compared with peace prices. The contemporary Press describes scenes in the various market places, involving sometimes merely large patient waiting crowds of would-be purchasers, sometimes genuine public disturbances, fainting *Hausfrauen*, and police intervention. Meanwhile public discussion raged concerning the causes thereof, some attributing the scarcity to the greed of the farmers, some to the existence of the maximum rates, some to transport difficulties, and some to the unchecked ravages of pigs. There seems, indeed, to have been a genuine fear that scarcity rather than speculation was at the root of the above-mentioned developments, an attitude which is reflected by the rather alarmist statistics of the *Vorwärts* of March 16th, 1915, which quotes Professor Ballod's estimate of the 1914 potato harvest as 42-43 million tons, as compared with the 47 million reckoned on by the Berlin Municipal Statistical Office, and the average of 52 million for 1912 and 1913.

In view of public clamour the Imperial Government allowed itself to be pushed. On February 17th, 1915, it bowed to the agrarian interest in so far as to grant a slight increase of the statutory prices, hoping thereby to set free a quantity of potatoes hitherto held up by the inadequacy of the rates allowed. This result does not, however, appear to have been attained. On March 15th a general inventory of existing supplies was carried through, and on April 12th a potato distribution order, based on its results, was issued by the Bundesrat. This order appears to have been framed with an eye to agrarian approbation, since it omits to provide for the confiscation so urgently demanded by the Social Democrats. It was certainly framed on the assumption that urban supplies were insufficient, but that the potato supply in general was adequate to meet the needs of the Empire at the existing rate of consumption. It may therefore be described as a

distributive, rather than an economising order. Accordingly it divided the Empire into potato-producing and potato-consuming areas, and provided that such consuming areas as were unable to satisfy their needs in the course of free trade were to notify the extent of such needs to an Imperial Department for Potato Supplies (created by the order), which would acquire the necessary quantities from the producing areas.

During the two months which followed the publication of this order the potato problem underwent a sensational development. Scarcity suddenly gave way to veritable glut, paragraphs appeared in the daily Press calling upon the public to "eat potatoes," municipal authorities began unloading their supplies, starch and potato-flour factories worked at high pressure to transform as many potatoes as possible into durable form, the Government's slaughtering policy was reversed in view of abundant potato fodder, the *Berliner Tageblatt* estimated the 1914 harvest as 55 million tons, as compared with Professor Ballod's 42-3 million, and prices fell with a run. By July Berlin householders were complaining to the sanitary authorities of the smell of rotting potatoes in the Silesian railway warehouses, while the *Vorwärts* laid bitter stress on the uneconomic results of unchecked speculation and potato famine, followed by glut and wholesale waste.

The potato comedy culminated in August, 1915, by the appearance of the Government in a white sheet, both in the Press and in the Reichstag, with the following account of its own activities. The inventory of March 15th showed an existing stock of 206 million cwt., a supply which the Government regarded as inadequate after allowing the necessary deductions for seed and depreciation. The new potato department was accordingly called into being by the order of April 12th, and immediately obtained the assurance of 40.6 million cwt. from the producing areas, as compared with a notified deficit of 15.4 million cwt. on the part of the consuming areas. It accordingly purchased 23.6 million cwt. from the former, paying high prices in order to discourage the producers from using up their stocks for foddering purposes. Later, however, it transpired that the inventory had grossly underrated existing supplies, while the consuming areas had considerably overrated their needs; as a result they actually took from the central department not 15.4 million, but 3.8 million cwt., leaving it saddled with some 20 million cwt., which were finally disposed of to potato-flour and spirit factories. The Government had, in fact, been fooled by the farmers. Such was the experience which

the first year of war brought to the bureaucracy as far as potatoes are concerned.

It is when we turn to the second year however, that even more surprising developments are presented to us, *i.e.*, an almost identical repetition of the above-described events. Hardly was Herr Delbrück's confession before the public than new complaints of scarcity and rising prices began to make themselves felt in the daily Press. In September we meet the old familiar references to the difficulties of industrial districts. By the middle of October the *Frankfurter Zeitung* is complaining from Marburg that "although this district has had a record potato harvest the urban population . . . can obtain no potatoes at reasonable prices . . . the farmers refuse to sell at the established maximum prices (local), explaining that they would rather use such cheap potatoes as fodder or wait until the spring, when the towns will have to pay different prices."

As regards Government action under these circumstances, in view of reiterated demands on the part of trade unions and Social Democrats for general confiscation on the lines of the bread-corn orders, two insignificant concessions have been granted. On October 9th, 1915, an exceedingly complicated order was issued, reorganising the old Imperial Department for Potato Supplies as an Imperial Potato Department on the lines of the Corn Department, and providing for the reservation of 10 per cent. of the new harvest on cultivated potato areas of more than 100 hectares. This was followed on October 22nd by the extension of such reservation to all areas exceeding 10 hectares, and the establishment of confiscatory rights over 20 per cent. of such harvests. The most important clauses of this last order, however, were those which added to the torrential price legislation of the autumn months a new potato maximum price measure, very similar to that issued during the autumn of the preceding year.

Whether this step represents a genuine undimmed official faith in maximum prices, or whether it simply constitutes an attempt to stave off reproaches of official inactivity without at the same time interfering too drastically with the agrarian interest, is a matter for discussion. Its results, however, were immediate and unmistakable. Economic history is now repeating itself. From the towns come increasing complaints of the impossibility of procuring potato supplies at the statutory prices. From agricultural organisations come urgent appeals to farmers to market their potatoes as soon as possible—appeals sometimes to patriotic feeling in view of the sufferings of the towns, some-

times to self-interest in view of possible confiscation. And as far as one can judge from the numerous references in the daily Press, neither the force of bureaucratic machinery nor the pressure of public opinion is capable of extracting potatoes at statutory prices from a farmer who does not wish to sell. Elusive and impregnable, he mocks at their combined efforts from the fastness of his farmyard, while the Prussian Minister for Agriculture espouses his cause in Wilhelmstrasse with all the force of political weight and historical tradition.

MARY STOCKS

## THE PRESENT SITUATION OF THE FOREIGN EXCHANGES

THE theory of the foreign exchanges which I have given for some years in my lectures starts from the view that the rate of exchange is primarily an expression for the value in the money of one country put upon the money of another country.

If we consider two countries, A and B, with independent paper currencies, the money of A can have value in B only on the ground that it represents buying power, or more generally paying power, in A. The price in B of the money of A will, therefore, be broadly proportional to the buying power of the money of A and will consequently stay in inverse proportion to the general level of prices in A. Further, the price in B will, of course, tend to be proportional to the general level of prices in B. Thus the rate of exchange between the two countries will be determined by the quotient between the general levels of prices in the two countries.

Now, according to the quantitative theory of money the general level of prices varies, other things being equal, in direct proportion to the quantity of the circulating medium in a country. If this be true, the rate of exchange between the two countries must vary as the quotient between the quantities of their respective circulating media.

The present war has afforded an opportunity to prove this result on a very large scale. If the actual rates of exchange show a general coincidence with the rates calculated on the principles here given, and if the divergencies can be satisfactorily explained in other ways, this may be regarded as a good proof of the above theory of exchange, as well as of the quantitative theory of money. At least, it must be said that never before has such an opportunity presented itself of verifying these theories, which both are of the nature that they can be definitely demonstrated only by actual experience.

On the above principles I have made, during recent months, calculations of the rates of exchanges between Sweden and some of the most important belligerent countries. On the whole, the results have confirmed the theory with an unexpected accuracy. The reader will certainly, without further explanations, appreciate the importance of this result as well for economic theory as for the practical judgment of the much contested significance of the

present variations in the rates of exchange. Here I must confine myself to some preliminary results.

The greatest difficulty has been to ascertain with sufficient exactness the rate of inflation of the different monetary standards. The quantity of the circulating medium is generally not very exactly known, and some facts relating to the increase of the circulation are not officially known. Nevertheless, it has been possible to prove that the advance of the general level of prices in the United Kingdom, such as it shows itself in the index numbers of Mr. Sauerbeck (continued by the *Statist*), is, broadly speaking, proportional to the increase of the circulating medium of the country, and thus that the enhancement of prices is essentially to be regarded as an expression of the inflation of the money.

Even in Sweden a substantial inflation has taken place. This inflation is proportional to the increase of the notes of the central bank, which, beside token money, form the only actual circulation of the country. The average note circulation for the year 1913 was 209·9 million crowns. In order to find a normal circulation for 1915, I have added to this figure 1·5 per cent., which corresponds to the normal increase of the population. Thus I find the normal mean circulation for 1915 to be 213·1. Starting from this mean, I have calculated the normal circulation for each month according to the mean monthly variations of the circulation during the four years 1910-1913. With this monthly normal circulation I compare the actual mean circulation for every month of 1915, and thus calculate the monthly mean inflation for that year.

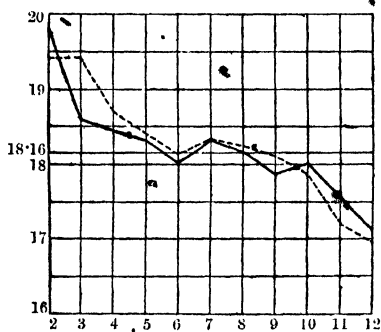
Now, according to the theory, the rate of exchange between Sweden and England should be determined by the quotient of the inflations of both countries. As measure of the English inflation I have taken Sauerbeck's monthly index number (from the *Statist*), divided by 82, which may be regarded as the normal level before the war. The results are given in the following table, and further illustrated by the diagram.

			Swedish inflation.	English inflation.	Theoretical rate of exchange.	Actual average rate.
February	...	...	134·4	123·0	19·81	19·41
March	...	...	130·1	126·3	18·61	19·43
April	...	...	130·9	129·0	18·47	18·72
May...	...	...	131·8	130·8	18·32	18·42
June	...	...	128·5	129·9	18·02	18·13
July	...	...	130·5	129·9	18·32	18·34
August	...	...	130·6	130·4	18·17	18·25
September	...	...	129·0	131·4	17·87	18·11
October	...	...	132·7	134·1	18·02	17·88
November	...	...	133·7	138·0	17·57	17·22
December	...	...	136·0	144·5	17·12	16·97



For January, 1916, the Swedish inflation is 140·9, the English 152; the theoretical rate 16·87 and the mean actual rate 17·27.

The general coincidence of the theoretical and actual rates may be taken as a proof of the assumption that the material progress of Sweden from 1913 to 1915 has been limited to 1·5 per cent. (which is, of course, much less than normal). This



Theoretical — and actual — — — sterling exchange in Stockholm. Monthly averages, Feb.—Dec., 1915.

assumption is equivalent to the choice of scale for the figures representing the Swedish inflation, and thus for the curve of the theoretical rate of exchange, but has no influence on the form of this curve. The unmistakable conformity of the curves for the theoretical and actual rates may be regarded as a remarkably good proof of the theory here set forth.

For France, Germany, and Russia I have tried to calculate the increase of the circulating medium and thus the inflation. The results, though not yet quite ready, show for all these countries a progressive inflation, which runs, on the whole, parallel with the fall of the rates of exchange. *E.g.*, the inflations and the theoretical and actual exchanges in Stockholm were, on December 23rd, 1915, as follows:—

	Inflation.	Theoretical rate.	Actual rate.	Par.
France ... ..	157·3	63·00	61·75	72·00
Germany ... ..	175·5	68·40	69·00	88·89
Russia ... ..	225	115	113	192·00

The divergencies between the theoretical and actual rates are very small, and all lie within the limits of the errors unavoidable in such a calculation as this and the occasional fluctuations of the rates of exchange. On the whole, the theoretical rate even seems to be a more genuine expression for the real situation of the different standards than the actual rate, which for short periods is often influenced by speculation and other incidental circumstances.

The conclusion is that the exchanges are at present governed essentially by the degree of inflation of the different monetary systems. All other factors, which used to be put in the foreground by the practical banking world or in political discussion, such as, *e.g.*, the balance of trade and the confidence of the world in the

future of this or that country, have only a quite secondary and temporary importance.

As a substantial inflation is to be found even in countries with plenty of gold, we must conclude that a fall in the value of gold has taken place. This fall, which is perhaps more instantaneous and serious than any earlier movement of the value of gold, seems to be somewhat different in different countries—owing to the extraordinary hindrances in transport—but is probably characterised fairly well by the Swedish inflation for January this year, for which the figure 141 was given above. It seems probable that the value of gold will continue to fall so long as the war goes on. After the war this value may reasonably be expected to rise again, at least, to its present level. Under these conditions we in Sweden have (on February 8th) taken the unprecedented, but, so far as can be judged, rational, step of excluding gold from the old free admission to our circulation. We hope in this way to be spared from a further violent advance of the general level of prices and a following equally injurious fall. The immediate effect has been a fall in the value of foreign money, but the rates of exchanges now probably give a truer expression than before for the real relative values of the different money standards. The actual rates in January seem to have stood at an abnormal height owing to big gold imports into Sweden.

GUSTAV CASSEL

[*Note by Editor.*—The effect of Professor Cassel's interesting calculations, assuming the sufficiency of the *data* on which they are based, seems to me to be that, even with the hindrances to free movement of goods which prevail in war time, *real* price levels in different countries tend to equality. That is to say, the index numbers of local prices corrected by the world-value of the local money, as measured by the exchanges, tend to equality.—J. M. K.]

## REVIEWS

*On the Relations of Political Economy to War. The Cost of War, and ways of reducing it suggested by Economic Theory.* Two lectures by F. Y. EDGEWORTH, M.A., Fellow of All Souls', Professor of Political Economy in the University of Oxford. (Oxford University Press. 1915. Pp. 36 and 48. Price 1s. net each.)

THE pig-philosophy scorned by Carlyle does not find great favour in these high-hearted days; yet here is Professor Edgeworth nothing daunted, with all the modesty of true learning and all the polyglot graces of his unique style, gently thrusting as it were before the noses of statesmen and diplomatists the principle of the maximisation of aggregate utility as a possible solvent of their differences, in case the attempt to practise the old Aristotelian *ὡς ἂν ὁ φρόνιμος ὀρίσσειε* leaves them still unreconciled and sharpening their claws.

Political economy, so runs the argument, can help to furnish the sinews of war; economic motives are among the final causes of war; and economic analysis, especially so far as it is concerned with industrial disputes, can throw some analogical light on the problems which call or seem to call for solution by war. There is a wealth of common sense, lit up by flashes of irony, in the exposition. It serves no good end, in the field of international any more than of industrial disputes, to minimise real divergences of interest, to overlook the warp of competition with which the web of co-operation is shot. Some of the extravagances of the modern school of economic pacifists come in for fair but trenchant criticism, as well as the more patent and monstrous exploits of those at the opposite extreme. Yet even so, the Professor urges, there is often—oftener, perhaps, than the war experts suppose—a possible range of arbitration; and the ideal point within that range is that which maximises the welfare of the contending parties. Violent changes are thus discountenanced; yet to the charge (common to Teuton and Trade Unionist) *πρὸς τῶν ἐχόντων*,

Φοῖβε, τὸν νόμον τίθης, we will not plead guilty; for progress and efficiency have a utilitarian claim against the *status quo*.

And yet—and yet, are we really so much further on? Clearly not, unless our “table of pleasures and pains” is extended to include those impalpable goods and evils of honour and disgrace, of the sense of liberty and servitude, of power and insignificance, which figure so largely in the calculus of war. This Professor Edgeworth is ready, nay eager, to do. And beyond doubt, as Professor Wicksteed reminded us in a memorable article in this Journal some years ago, our whole life is of necessity a commensurating of the strictly incommensurable—a pushing up to heterogeneous margins. Emotion and energy, as well as time and cash, are limited, and we balance sport and religion, friendship and foreign travel, almost as cold-bloodedly as Dr. Marshall’s agitated housewife with her hanks of yarn. Perhaps we may go further and suggest that as modern physics hints that elements long believed to be distinct are really the same *ὕλη* in different states of atomic tension, so those apparently qualitative differences in pleasures which Mill felt constrained to recognise at the end of his life may turn out to be quantitative after all. Yet where, if anywhere, is the limit? Plato suggested that the purest of pleasures was to be found in the contemplation of geometrical diagrams; and if the notorious Professor Jaffé thinks that all good Germans should find it in the contemplation of their own collective *Leistungsfähigkeit*, on whose authority (save that of our old *deus ex machina*, the *φρόνιμος*) are we to declare him outside the utilitarian pale? With values so elusive and minds so differently built, what hope have we of hitting that ideal point upon the contract-locus? And if, sloughing his economic peccadilloes, the “pacifist” (Professor Edgeworth notes that the word is not in the Oxford Dictionary—one wishes he had stepped into the breach) should boldly declare that the one outstanding fact is the failure of negotiators to arrive at even an approximately just inequation of the real cost of war (that item in Professor Edgeworth’s calculus from an estimate of which he himself shrinks in reverent silence) with most at least of the objects of their bargainings, what answer can be made him, except, once more, to impugn his *φρόνησις*?

To return, with the Professor’s second lecture, to more solid ground: a brief summary of his main conclusions must suffice. The alleged superiority of an internal over a foreign loan for meeting the cost of war is declared, after Macaulay, to be genuine; the alleged superiority of taxation over the former is

held to depend largely upon the incidence on different classes of the subsequent taxation for payment of interest, and upon the comparative effect of the two methods upon accumulation of capital. More thorough economic (not merely financial) preparation for war is advocated, with a warning that the public existence of such mechanism may of itself stir Camarina, and that the problem is ancillary to that of reducing the cost of war by reducing war itself.

What on the balance is our hope? Professor Edgeworth does not commit himself. In a few pregnant pages he reminds us of that shadow which, lifted from the nineteenth century by its riotous exploitation of virgin soils and capital stores of fuel, seems to some of us to loom nearer again to-day—that shadow of the limitless hosts of the unborn who, in Samuel Butler's fantasy, flutter pesteringly about the heads of their reluctant progenitors. Will the transmutation of elements save us by enabling us at last to live on our income of power? And what prospect of that yet more fruitful transmutation and canalisation of the human virtues of pugnacity and patriotism and chivalry, so that, relieved from the necessity of mutual clash and thrusting ever outward toward non-competitive margins, they maximise the sum of human emotion and endeavour?

Nor can this remote matter suddenly  
Progress so from extreme unto extreme  
As to grow gold and leap o'er all the means :  
Nature doth first beget the imperfect, then  
Proceeds she to the perfect.

So Ben Jonson's Alchemist, with his tongue in his cheek ; so we, in all sincerity of hope. With the twin sciences of physical and social alchemy lies, perhaps, the future of the race.

D. II. ROBERTSON

*Kapital und Kapitalzins. Erste Abteilung. Geschichte und Kritik der Kapitalzinstheorien.* 111tte Auflage. (Innsbruck : Wagner, 1914.) Eugen von Böhm Bawerk, Professor an der Universität, Wien, Kaiser-Königlicher Minister (ausser Diensten).

THE author quitted the service of political economy only with his life, on August 28th, 1914.<sup>1</sup> There is every sign that this book passed from his hands as complete as he could make it. The preface is dated Vienna, June, 1914. The latest reference seems

<sup>1</sup> *Journal*, Dec., 1914, pp. 648 seq.

to be to Mr. Hoag's *Theory of Interest*, New York, 1914 (Hist. 633 n.). English-speaking economists receive an ample share of attention, and small wonder, for they early recognised the merits of the author. Böhm Bawerk was as closely in touch with us during the last three decades as J. B. Say with the England of a hundred years ago. It is hard to fancy the arrest, except by the "fell sergeant, death," of the friendly interchange of paper-polemics. It is hard to conceive the continuance of our author's writing under conditions compelling him to place Alfred Marshall among his foes and J. B. Clark among none-too-benevolent neutrals. He has been happy in the timeliness of his departure, and our discussion of him and his books can proceed with no cloud between us, real or imaginary.

It would have been regrettable if the *History* had missed the final revision accorded so liberally to the *Theory*.<sup>1</sup> His own theory (and "positive" means only this, in contrast with "criticism" of other theories<sup>2</sup>) was broad-based on principles and admitted of entirely impersonal exposition and illustration. But in order of statement it came on the heels of a history of other views, obsolete or received, and was thus reared in an atmosphere of criticism, which all theorists must breathe if they would not live in a fool's paradise. The original preface to the *History* (1884) says plainly that the criticism meant more to the author than the history. The reader has thus fair warning. But the history is quite faithful, and it is not too long till it becomes contemporary.

In proportion as any history draws nearer to the historian's own time, its course is troubled by the difficulty of distinguishing between important and unimportant, main and negligible. In his last preface, Böhm Bawerk enlarges on his earnest endeavour after a judicious curtailment and omission, which, sooth to say, he never quite compassed. The historian, he rightly tells us, ought not to be strangled by the analyst. The present book is still meant to be that sort of history which he tried to write in 1884. He must deviate into an exception or two, "so long as he and his book are really alive," but he plans a broad, comprehensive history, not a chronicle losing itself in details.

He was less likely to deviate in 1884, when he had few critics of his own; and in later life there would have been little need for this self-criticism (for so it is) if he had been content to put all his comments on contemporaries into the *Excursus* appended

<sup>1</sup> *Journal*, June, 1913, 241 seq. Compare March, 1901, 64 seq., where the second edition of the *History* (1900) is reviewed at some length.

<sup>2</sup> See *History*, second ed., 614 n.; third ed., 622 n.

to the last edition of the *Theory*,<sup>1</sup> dropping the Appendix of the two later editions of the *History* as an excrescence there.

A book (or even a review) has natural or artistic limits; but there are no assignable limits in nature or art to the length of a dissertation. Many of the additions to this third issue of the *History* are hardly complete without the corresponding sections in the companion volumes of the *Theory*. This is expressly admitted in such a case as Dr. Cassel's (*Hist.* 3rd ed., 637 note), and cross-references in other cases are frequent. One of the longest new passages is a notice of Professor Oswald's "Addresses" (1905) and "Contributions" (1910);<sup>2</sup> There was not much novelty in the pieces criticised, but some one had described Professor Oswald as Böhm Bawerk's interpreter, and our author is decoyed into prolixity by the desire of clearing his character.<sup>3</sup> Oswald began by agreeing with Böhm Bawerk that there is no separate "use" of capital as distinct from the capital itself, which is (to Böhm himself) the sum total of its uses.<sup>4</sup> The uses do not exist by themselves side by side with the capital itself. Yet Oswald thinks there may after all be a "something else," describable for convenience as such a separate use or using, or else (if we like), as a surplus value of present over future goods, though not as a "cause" of interest (638). Both writers assume a stock of goods or capital permitting the introduction of the "long way" of production. But Oswald says this stock can either (a) be so used as to be used up, or (b) be so used that the goods or capital shall be replaced. In this second case (b), says Oswald, we are dealing not with consumption, but with utilisation (*Benutzen*) of capital (639). He thus turns a verbal illustration into the assertion of an actual separate entity or element alongside of land and labour (641). To Böhm the two latter alone are the "elementary means of production," capital being derived from both (641). Oswald's new element now comes forward as that which is to be rewarded in Interest, and as a third factor in Cost (642). Böhm's theory, he considers, is equivalent to the view that interest is the price of the using of capital (613), the value of the capital's using being due to its usefulness on the one hand and its relative scarcity on the other. These are facts which he accuses Böhm of failing to observe (643, 644). Böhm answers that it is true the interest

<sup>1</sup> *Journal*, Dec., 1910, 594; June, 1913, 241.

<sup>2</sup> *History*, third ed., pp. 637-656.

<sup>3</sup> *Loc. cit.*, 647, note.

<sup>4</sup> "Uses" or "usings" (*Nutzungen*) is a convenient term employed by Böhm as early as 1876 in an unpublished paper. *History*, second ed., 274, note, third ed., 276, note.

depends on something valuable and something scarce, but these are nothing mystical, they are the goods themselves; interest is a partial equivalent for the present goods themselves, not a separate equivalent for a separate element in production (645). Otherwise the two economists seem to be in fair agreement. Böhm seems to be right in regarding his own arrangement and choice of terms as the better of the two (648), though he reserves a full account of his own for the book on *Theory*, while giving Oswald's in the *History*.

The points are sufficiently obvious, and a laboured refutation was surely unnecessary. This is a characteristic instance of the way in which our author makes his book too long by an over-conscientious desire to leave no wrong statement unrefuted. There is no lack of more welcome additions. Bentham's contributions are now treated as considerable (*e.g.*, 56, 409, 410, and notes, also 316, 569). More is said now of Aquinas, Petty, and Vaughan. New writers, like Natoli, Lifschitz, Landry, Margolin, Tugan Baranovsky, have their meed of criticism. Bastiat's influence, greater in 1884 than in 1914, is now dismissed with a note of exclamation (350 and note). The extended discussion of Marx, especially of the posthumous volume that so disappointed the world in 1894, remains substantially as it was in 1900. Marx seems to have passed from current discussion into history, though it may be some years before he shares the fate of the brilliant Frenchman. As to our author himself, if his posthumous volume will not greatly increase his reputation, it will at least in no way detract from it or weaken the logical edifice fortified with such patience, learning, and clearness of vision.

JAMES BONAR

*Nos Finances pendant la Guerre.* By G. LACHAPELLE. (Paris : Armand Colin. 1915. Pp. vi + 306. 3 frs. 50.)

M. LACHAPELLE's great merit is his honesty. He makes no attempt to belittle the critical state of French finance on the outbreak of the war. He criticises with lucidity and vigour both the recent finance ministers and those political obstructionists whose pertinacity rendered the administration of finances almost impossible, causing a delay of twelve months in the passing of the budget of 1911 and of fifteen in that of 1913. But he is clearer in his political criticisms than in his economic exposition. He seems to have been uncertain how much knowledge of the financial system in France he might safely postulate, has decided to



postulate none, and in his endeavour to supply his reader with the requisite elementary information has spent so much time on his explanation of the organisation of the Bourse, the settlement days, the position of the Bank of France on the money market, that he has failed to make clear the temporary expedients for the financial mobilisation.

The book is divided into two parts, the first dealing with the finance before, the second with the finance during the war. But the division is not strictly maintained, and most of the second part is, in fact, devoted to the explanations just mentioned; and although particular chapters are given up to the effects of the crisis on particular bodies, in no single chapter will be found mention of all the measures affecting the body under consideration. For instance, nothing is said in the chapter on the Bourse and the July settlement of the fact that holders of the July loan might convert their stock into the new 5 per cent. war loan, and the uninitiated reader might well imagine from what is said in the chapter on the Bank of France that the 2,900 M. frs. advanced by that body to the Government was to bear no interest at all. The value of the book would, in fact, be greatly enhanced were an appendix added giving a summary of the measures adopted by the Government. At present the clearest portions of the whole work are the quotations from the speeches of M. Ribot. These are, indeed, models of lucid exposition.

The author very rightly lays special emphasis on the difficulties with which the Government was faced at the outbreak of the war. The budget of 1914 was only passed on July 15th; the peace loan of 805 M. frs. was only issued on July 7th. The bulk of the subscriptions were not made by investors. The Bourse was hopelessly committed. It is round the problem of the July settlement that M. Lachapelle develops his thesis. When the crisis came the speculators in the loan were unable either to place their stock or to take it up. The Government was unable to raise a new loan, and was forced to have recourse to the Bank. But apart from the position of the Bourse, M. Lachapelle thinks that at first no other way of borrowing was practicable, as the Government was too much preoccupied with military events. He gives the impression, indeed, that all the measures adopted at the outset were haphazard and forced on the luckless Government by the interested parties. The only steps taken before the war in preparation were the secret agreement between the Bank and the Government, signed on November 11th, 1911, by which the former pledged itself to provide 2,900 M. frs. at 1 per cent. interest should a

general mobilisation be declared before the Bank's charter was renewed (which amount was increased to 6 milliard on September 21st, 1914), and the printing by the Bank of a million and a half 20-fr. and 5-fr. notes. The Bank alone was prepared. It supplied the Government; it lent to the Bourse; it discounted for the other banks.

On the question of the forced issue of paper M. Lachapelle makes a curious comment:—Pour empêcher cette circulation de dépasser certaines limites, il fallait donc trouver le moyen de faire rentrer à la Banque les billets qui en étaient sortis pour les besoins de l'État. . . . Le ministre des Finances offrait une prime de 5 per cent., payable d'avance, à tous ceux qui verseraient leurs billets de banque dans les caisses du Trésor et, en échange, ceux-ci recevraient un bon de la défense nationale. . . ." The premium of 5 per cent. might, it is true, prevent the depreciation of the note, which thus acquired a peculiar value for a special purpose. But had the Government adopted any other method of borrowing from the public the effect would have been the same. An over-issue was avoided because the Government checked its demands upon the Bank.

Brief accounts are given of the measures taken in England and Germany in August, 1914, which would have been more useful for purposes of comparison had they not been introduced in the middle of the narrative. In writing of the latter country he says, however:—"La Banque peut, en outre assimiler à la couverture de son encaisse métallique les bons du Trésor, les lettres de change mises en circulation par l'État, les obligations de l'Empire à trois mois d'échéance et, enfin, les billets spéciaux des caisses de prêts sur gage, les *Darlehenskassenscheine*. De la sorte, les émissions de billets de la Reichsbank peuvent être sans doute indéfinies, mais elles ne sont pas garanties que par le crédit de l'État." This, of course, was not so. The bank discounted Government paper without the usually requisite signatures; but that paper is not included in the metal reserves, nor is it true that there is no limit to the issuable paper.

A. LOVEDAY

*Die deutsche Volksernährung und der englische Aushungerungsplan.* Herausgegeben von PAUL ELTZBACHER. (Braunschweig: Vieweg und Sohn. 1914. Pp. vii+196. Price 1 mark.)

THIS important and carefully written book on the German food question, in the preparation of which Dr. Eltzbacher has

succeeded in obtaining the assistance of a number of experts on the various problems entailed, has, since its publication in December, 1914, been the pivot round which the ever-increasing quantity of literature on the subject has revolved.

An estimate is first made in terms of nutrient values of the hypothetical quantity of food requisite for the maintenance of the German population. This is followed by a second estimate of the actual amount consumed in the years 1912-13, the home produce and foreign imports being placed in separate columns; and, finally, by deducting the total arrived at by the first calculation from the two sets of figures obtained from the second both the surplus of unnecessary consumption and the future deficit of necessary supplies are obtained.

The conclusions drawn are that in the years 1912-13 the amounts actually consumed in nutrient values were 88,649 milliard calories, of which 17,412 milliards were imported, and 2,261,900 tons of albuminoid, of which 625,600 tons were imported, whereas the quantities scientifically requisite for the maintenance of the population with equal distribution would have been 55.64 billion calories and 1.574 million tons of albuminoid. By taking into consideration the probable increase in population and decrease of harvest returns for the year 1914 the following food balance sheet is obtained:—

	Cal. billions.			Alb. mill. ton.	
Requisite quantities	...	56.75	...	...	1.605
Consumption 1912-13	...	90.42	...	...	2.307
Produceable in 1914 without change in methods	...	67.68	...	...	1.554

This table shows, on the one hand, that the consumption of albuminoid and calories would have to be reduced by 33 per cent. and 25 per cent. respectively; on the other, that the available stock of calories would exceed the amount required by 19 per cent., while there would be a 3 per cent. deficit in albuminoid. The reasoning leading to these conclusions is interesting. It must, indeed, be remembered that the authors have deliberately set themselves to prove a case, and although the work has been scientifically and carefully carried out, a certain amount of conscious or unconscious bias was almost inevitable. But some of the premises on which the deductions are based seem to overstep the bounds of such prejudice as might legitimately have been expected. The most striking example of this tendency to exaggerate where exaggeration assists their case is the adoption of the harvest returns of the years 1912-13 as a basis for calculation. According

to the figures of the International Commission at Rome, the average of these two years was for wheat  $5\frac{1}{2}$  per cent., for rye  $1\frac{3}{4}$  per cent., for sugar 16 per cent. above that for the five years 1908-13. It was, therefore, scarcely justifiable to presume that the returns of 1914, with a decreased supply of labour and horses and considerable difficulties of transport, would amount to 95 per cent. of the average of 1912-13. It is, moreover, interesting to find the name of Professor Ballod amongst the contributors, and the figures in this book may well be compared with those given by him in his article in the July number of the *Preussische Jahrbücher*, 1914. "Kein Mensch," he says there, "kann sagen, ob die deutsche Ernteschätzungen nicht um 10, ja 15 oder sogar 20 Proz. zu hoch sind"; and the probability of over-estimation he proceeds to prove by a review of the interstate export and import figures. Unconvincing, too, is the argument that the total 'Schlachtgewicht' of the animals passing through the public slaughterhouses may be reckoned as food "da in dem 'Schlachtgewicht' die genusstauglichen Eingeweide teilweise fehlen," or that although the methods of reckoning the 'Schlachtgewicht' may be open to criticism, as is clearly shown by Professor Ballod in his "Grundriss der Statistik" and not denied here, the resulting over-estimate is likewise balanced by such fat suitable for human consumption as is not included in the weights mentioned. In neither case are any figures given to support these presumptions.

On the other hand, the estimates of the quantities of albuminoid and calories requisite for human welfare are considerably below those commonly accepted in Germany. The figures given by Voit for the latter vary from 3,050 to 3,575, by Rubner from 2,445 to 3,362 to 6,100, the last being an exceptional figure, whereas 3,000 is taken as the daily average for a grown man. For the latter Voit gives 106 g., which is reduced on somewhat unconvincing evidence to 80g. for a man and 68 for a woman.

The second half of the book is occupied with recommendations for the achievement of the necessary economies. By these, which include a reduction in the number of beasts and pigs, the use of beet with 20 per cent. of sugar left in as fodder, the cultivation of moorlands, the use of browner bread, potato drying, &c., it is estimated that a saving of 13,390·8 milliards calories and 479,800 tons of albuminoid might be made. Many of the suggestions have been carried into execution; but neither the extensive cultivation of moorland nor the maintenance of any given acreage of beet cultivation, merely on the grounds of the food value of

sugar, without its price being kept up relatively to other agricultural products, appears to be a practicable proposal.

The final nutrient values balance sheet, although suggestive and of considerable theoretical and practical interest, cannot, of course, pretend to give even a rough notion of the actual deficit to be expected. It is based on the assumption that all the reforms suggested should be, and could be, carried into execution in a single moment of time. Over two hundred thousand tons of albuminoid, for instance, are to be saved by the sacrifice of 10 per cent. of the stock of cows and  $3\frac{1}{2}$  million pigs. But such a reduction of live-stock must take time, and until it is achieved not only would it be impossible to bring about the desired gain, but the maintenance of the average production of preceding years with an over-supply of cattle and an under-supply of fodder would be difficult. The figures, in fact, are based on an impossible hypothesis. But if the book be looked upon as a starting-point from which further inquiry and more precise statistical calculations may be made, and not as a compendium of carefully revised ultimate conclusions, its value cannot be denied.

A LOVEDAY

*Credit, Industry, and the War.* Edited by PROF. A. W. KIRKALDY, with a Preface by PROF. W. R. SCOTT. (London : Sir Isaac Pitman & Sons, Ltd. Pp. vii + 268. Price 2s. 6d. net.)

THIS is one of the books that will be very interesting some day. When the war is over and we have solved all the problems that now make it so difficult to take any interest in anything else, we shall spend some pleasant evenings in turning over its pages and reading what was said at a meeting of the British Association in 1915 about the financial and industrial questions that had at that time been propounded by the god of war. *Forsan et hac olim meminisse juvabit.* At present, without any disrespect for the distinguished authorities who composed it, one has to admit that the book came too late to be quite fresh and too early to be quite final; also, that it is inevitable that a work which is a series of utterances by different writers on different subjects has a somewhat jerky and uncomfortable effect on the mind of the reader. As an example, I may quote the following string of very interesting observations on the subject of war taxation :—

"Professor Dicksee and Mr. F. W. Hirst believe that the nation is better able to bear heavy taxation during a war than during the years immediately following the conclusion of peace, although the Professor assumes that the taxation is 'intelligently applied, so as to hit those who

are benefiting financially from the war.' Professor Boyd Dawkins also writes in support of immediate taxation, and urges that special imposts should be levied upon war profits. Sir Edward Brabrook is inclined to recommend further taxation, but regards the question as one of the greatest difficulty: 'The test of the propriety of taxation is the ability of the community to bear it, *i.e.*, to bear it without sacrificing all that makes life endurable.' . . .

"Professor Dicksee agrees with other correspondents in holding that 'public economy in time of peace is the best possible way of providing a financial reserve against time of war.' He continues: 'At the risk of embarking upon political rather than economic issues, I should like to put forward the view that we are now being called upon to pay for the experiments of politicians in social reform during the past ten years. The need for both public and private economy is fairly obvious; but public economy has been rendered difficult by the enormous increase in the number of officials employed by Government Departments and local authorities, while private economy is rendered difficult by the heavy taxation—even on a peace footing—of the well-to-do classes, and by the general trend of legislation which seems to have been specially designed to discourage thrift.' . . .

"Professor Bastable, who has composed his memorandum after reading those written by the other contributors, thinks that the proportion of the tax contribution to the wars of 1793-1815 has been over-estimated. 'Instead,' he writes, 'of one-half of the cost having been met by taxation, the fact seems to be that little more than one-fourth of the war expenditure was so provided. . . . The financial management of the Crimean War (which was more in the hands of Cornwall Lewis than in those of Gladstone) was more satisfactory. More than half of the cost was met out of tax revenue (£38,000,000 out of the total of £70,000,000), which showed a marked contrast with the French policy in the same war.' . . .

"If £2,000,000,000 be taken as an under-estimate of the national income, and if we take the view of those financial writers who hold that under emergency pressure 25 per cent. of this income could be secured for the State, it follows that for a limited period of strain £500,000,000 would be the available tax revenue. Bearing in mind the possibility of very large economies on the normal peace outlay, it seems as if vigorous financial administration, sparing no special interests or classes, would supply over £300,000,000 for each year of a limited war period. The tax revenue, just indicated as possible, has evidently to be supplemented by the use of loans. It is, or ought to be, recognised that there are large funds which cannot be brought in by the pressure of the tax-collector, but which will flow into the Exchequer if the inducement of adequate interest is afforded. We may, perhaps, assume that by this means an amount equal to that gained from taxation is obtainable, year by year, for a war period of several years. The compulsory contribution of the taxpayer is balanced by the voluntary payments of the saving class.

"The general result of the foregoing estimate shows an annual fund of over £700,000,000 available for the cost of war. Taking the total of this cost as approximating towards £1,000,000,000, there remains a sum of over £250,000,000 to be supplied, and here the use of an external loan is manifestly prescribed."

It sounds like a very long while ago when we find the total cost of the war spoken of as "approximating towards £1,000,000,000

a year"; and I suspect that Professor Bastable has already reconsidered his conviction that "productiveness is the one great criterion of war taxes." It is now evident, I venture to think, that, owing to the paradoxical results of our war finance, which has produced an orgy of whole-hearted extravagance in most classes of the community, it is in these days quite as much the business of the tax-gatherer to check consumption as to raise revenue; that whichever he does he is doing good work, and that consequently it is difficult to tax, both directly and indirectly, too high as long as the "still discordant wavering multitude" does not become restive. This it shows no sign, whatever of doing as long as the burden of taxation is equitably apportioned.

On the subject of the need for economy, the following passage preaches a doctrine which is slowly gaining ground among the few people who have time to think about the matter :—

"The creation of credit has been necessarily profuse, one might almost say necessarily reckless, in this country during the war; wages and prices are on a war basis which can admittedly be only temporary. The result is inflation, which, in the opinion of many, is reflected in an unfavourable rate of exchange. What is to be the remedy? Let us turn back to our summary of the factors which determine the level of exchange rates. . . . The interest on debts due from abroad will certainly decline rather than increase during the war, and the withdrawal of men from industry for military purposes prevents any increase in the volume of our services to other nations. The shipment of gold provides a possible palliative for an unfavourable rate, and the criticism is often heard that gold reserves are valueless unless use is made of them. In the present case, however, we are confronted with the difficulty that our stock of gold is wholly inadequate to maintain exchange rates, and that America, to which country most of the gold exported would find its way, has ample supplies of the metal. Mr. Metz, indeed, argues that the export of gold, the sale of securities, and the creation of credits all 'suffer from the same evil, that they can be applied only once, and that, once availed of, they weaken rather than strengthen the situation.' . . .

"Gold exports, therefore, cannot be relied upon as a permanent way out of our difficulty, and the loss of our small stock might have serious results in weakening confidence both here and abroad. . . . The trade balance may be permanently affected by the discouragement of imports into this country, by the encouragement of exports, by increased economy of consumption, and by taxation. . . .

"In all these directions something has been done by exhortation in the speeches of Cabinet Ministers and from the pulpit, but it may be doubted whether such exhortations have had any but the most superficial effect, nor are they likely to touch more than the fringe of the question. Action of a more direct kind is needed, and such action is not likely to meet with insuperable obstacles. Economy should be enforced as well as preached, and the lesson should be easier in that Germany has already set an example to the whole world. But when all these palliatives and remedies have been adopted, there is little doubt that there will remain a great deal to be done, and our weapon for this purpose must be the raising of credits abroad.

Here, again, the difficulties are merely difficulties of detail and procedure, for no one doubts that the British Government could raise money in the United States on favourable terms."

There may be more than one opinion as to how far the conditions of the Anglo-French loan bear out this confident forecast. At least it is clear that, in view of war's accidents, the less we rely on raising credits abroad the more secure will our financial staying power be.

There is much interesting matter on the subject of the first shock of crisis at the beginning of the war and the measures taken to deal with them. These measures are weighed in the balance and found wanting, in the following terms, apparently by Mr. A. H. Gibson :—

"The measures enumerated above restored confidence among the banks, who had standing over them the possibility of a general run from their depositors at a time when they were unable to convert any large part of their resources into legal tender currency. For the rapid restoration of confidence among the banks the Government measures must be considered as having been very effective.

"In the absence of legislation providing that banking deposits over a certain amount should not be withdrawable without a certain notice first being given by the depositor, some measures of protection to banks were necessary in order to restore confidence among the banks. So far as the public were concerned, the experience of the banks has since shown that the protective measures enumerated were unnecessary. If there had been no extension of the Bank Holiday, and the banks had not refused to pay out gold to their depositors in the ordinary course of business, there is no reason to think that gold withdrawals from the banks would have been on a very abnormal scale. There would possibly have been a few extra millions paid out during August, but the drain could easily have been met without much effect on current stocks."

On the industrial side of war's economic problems the interesting conclusion was arrived at, by the authorities assembled at the British Association, that it is *not* true, except in exceptional cases and to a small extent, that women have replaced men "in the sense that they are now doing processes which before the war were done by men." This view is so contrary to the general belief that it may be as well to give the reasoning by which it was arrived at :—

"The nature of the demands arising out of the war must have an important bearing upon the kind of labour required. A large part of the Government demand for goods is in those branches of trades in which a larger proportion of women is employed than in the trade as a whole. A good example of this is the tailoring trade, which normally employs something like 130,000 women, together with a large casual fringe of women who come into the trade in times of seasonal pressure. . . . The great increase of women's employment in the leather trade owing to the war has, to a certain extent, been in the lighter accoutrement branches on processes normally done by



women; while in the boot and shoe branch there has actually been a replacement of women by men owing to the heavier nature of the work required in the military than in the civilian boot.

"A considerable part of the Government demand is also in trades, *e.g.*, the munition branches of the engineering and metal trades, in which a large proportion of semi-skilled or unskilled female labour can be absorbed, especially in such exceptional processes as the filling of shells, and in which after the war the demand will decline.

"From the above considerations it will be seen that *much of the extension of women's employment during the war in industry proper is in work which is normally done by women and in which the necessities of war have created an unprecedented demand. Other work now done by women is exceptional work which will decline with the advent of peace. But a survey of the whole field suggests that owing to the installation of special plant the proportion of woman labour may be affected.*"

I must end a review which has, inevitably and beneficially, consisted largely of quotations, by congratulating the editor of the book on a highly successful performance of a very difficult task.

HARTLEY WITHERS

*English Railways: Their Development and their Relation to the State.* By EDWARD CLEVELAND-STEVENS, M.A. (London: Routledge, 1915. Pp. xvi+332, with maps. Price 6s. net.)

ONE can hardly think that even the universal lassitude likely to prevail at the end of the war can cause English railways absolutely to revert to the *status quo ante*. For though the external fabric of our railways has remained unaltered, their change of status has actually been greater than is the case either in France or Germany. In other countries the constitutional and financial status of the railways remains unaltered. Though a military control has been superimposed, the railroad undertakings still render accounts and receive payments for military transport according to the established scale. Here, on the other hand, the huge services performed by our railways for the War Office and the Admiralty are rendered without charge, with no accounting record, while the rest of the traffic is worked by the companies as mere agents of the Government. If that traffic, after payment of expenses, including interest and dividends on the pre-war scale, leaves a profit, the profit accrues to the Government; if a loss, the Government meets it. Such a revolution must surely leave its mark on future history.

And if, after the war, there is to be an era of reconstruction in railway affairs, it would seem obvious that a work such as Mr. Cleveland-Stevens' will be of the utmost value. One cannot, of

course, be sure, for our English policy in railway matters has consistently been not "more light" but "as little light as possible." For instance, since the war began all railways accounts and statistics have been absolutely suppressed. It cannot be that the materials are not in existence. It can hardly be that the Censor has interfered, seeing that the Northern Railway of France, which works up to the actual battle front, and many of whose lines are actually in enemy occupation, has published its annual report for 1914 with its accustomed figures in their usual fulness. Still, seeing that the railway question has to be dealt with, and seeing that there are advantages in dealing with it in the light of knowledge and experience rather than by guesswork in the dark, there can be no doubt of the value of the guidance furnished by Mr. Stevens' careful and laborious work. It has certainly deserved—as the title-page informs us it has received—approval as a thesis for the degree of Doctor of Science (Economics) in the University of London.

Mr. Stevens—who adds, though he does not mention it, to his other qualifications not only the fact that he is a barrister, but also that he has a hereditary connection with the men who have made the history that he narrates—has traced the growth of the English railway system from the days of the tiny lines, the Surrey Iron Railway, the Leigh and Bolton, the Bodmin and Wade-bridge—days when a company with a line 100 miles long was a triton among minnows—down to the time when the whole country is practically parcelled out among a dozen great undertakings.

By the way, it is a curious thing that, at the very time that Parliament was passing Acts by the score for the amalgamation of turnpike trusts, mainly because they were too small for good management, it should have encouraged the growth of petty separate railway undertakings. For it would seem that the arguments which tell in favour of the large size of undertakings concerned merely with road maintenance, apply *a fortiori* to undertakings responsible not only for the maintenance of the road, but for the actual operation of the traffic thereon.

Mr. Stevens does not confine himself to the relationships of the companies *inter se*. A large part of his work is devoted to the action of Parliament, both in the House itself and in the Committee rooms upstairs. Certainly it cannot be claimed that these proceedings are a good illustration of the wisdom of Parliament. One cannot criticise the policy, for policy was conspicuous by its absence. Competition is a policy. Monopoly is a policy.

But Parliament has been oscillating between the two and attempting unsuccessfully to amalgamate fire and water for the last seventy years. It has been quite possible in the past—it may be again possible in the future, should a new race of promoters come forward—for two Committees in adjoining rooms, the one to accept, the other to reject, a Bill for a new railway for the precisely similar reason that it induces new competition. But we are hardly likely to see a new era of competition. The present writer entirely agrees with Mr. Stevens that competition is dead, and that amalgamation, whose history he has traced down to the end of last century, must inevitably be carried farther in the near future. He agrees equally with the author who says, quoting Sir George Gibb, "Throughout the history of the English railways . . . Parliament has failed to devise a comprehensive scheme. 'The control under the system of Private Bill legislation . . . has been mainly negative; never constructive . . . Private interests have been protected, but the general interest has in the main been ignored.'" He agrees still more with the final conclusions of the book :—

"Whatever the future may bring, a strong, continuous, certain, comprehensive policy of State control must be evolved, and the outstanding lesson to be drawn from the history of English railways is the danger of entrusting control to the Legislature. The central problem, whether the railways remain in private hands or be taken over by the State, is the creation of a permanent Board of Control, and one as far removed as is possible from the interference of Parliament."

If it could be hoped that our legislators would read Mr. Stevens' book and learn from it, perhaps we might see these conclusions, which are forced upon anyone who reads the history of the past, put into practice by appropriate legislation. As that is hardly to be expected, we must be content to thank Mr. Stevens for a work that students at least will know how to appreciate, and which is in the scanty collection of English railway literature one of the very few books entitled to be regarded as of permanent value.

It should be noted that by an unfortunate misprint, for which the author, who is, we believe, now serving his country elsewhere, can hardly be held responsible, the map facing the frontispiece, which in fact gives the "System of Railways under the control of the principal Railway Companies" in 1872, is represented as referring to the situation of things to-day.

W. M. ACWORTH

*A History of Political Economy.* By JOHN KELLS INGRAM, LL.D.  
New and enlarged edition, with a Supplementary Chapter by  
William A. Scott, LL.D., and an Introduction by Richard T.  
Ely, LL.D. (London : A. and C. Black. 1915. Pp. xix +  
315.)

IN this re-issue of a well-known book there are two fresh features. One can be described as the judicial estimate formed by an experienced admirer of the position taken by the author in the development of those studies of which his History was the record, and the other is the continuation to the present date by a competent successor of the narrative there unfolded. No other change, we believe, has been made in the text of the work. The generous tribute offered by Professor Ely in his suggestive Introduction to Ingram's learning and ability is deserved, and his influence on Economics is felicitously linked by his eulogist with a "broadening" of its "scope." The famous Dublin address of 1878, indeed, on the "position and prospects" of economic study, were it delivered to-day, might meet as a matter of course in many respects with quiet instinctive approval from a majority of listeners. A generation ago it was intended and received as the defiant challenge of a pioneer of revolution. The subsequent lapse of time, in fact, has also corrected an extravagance, both of blame and praise, into which the speaker was betrayed in that discourse; and Dr. Ely notes this important qualifying circumstance. Some readjustment of emphasis, he shows, is now demanded. Ingram's bias towards Comtism was no less evident in the elaborate article in the *Encyclopædia Britannica*, which, published afterwards as a book, became the useful History repeatedly consulted since by grateful British students. Few of them, we are sure, would dissent from the final verdict of the American professor that here, too, he "helped to advance Economics by bringing the economic thought of England out of certain unfortunate narrowness and isolation." It is, indeed, a happy, significant coincidence that, at Professor Taussig's suggestion, the article was printed separately in the United States for the use of students before it appeared on this side of the Atlantic in book form, and that to the co-operation of two American professors, both hailing from Wisconsin University, we owe the present enlarged edition. In Professor Scott's Supplementary Chapter the task, by no means easy to discharge with satisfaction, of appraising writers, many of whom are still alive, has been attempted; but, so far as we can judge, while rightly emulating the comprehensiveness of his exemplar, he

has reached a higher level of impartiality. Perhaps, however, he has given too much prominence to the Austrians, and the chapter, preceding instead of following, Ingram's own "Conclusion," is, we feel, in spite of Dr. Scott's excuses, misplaced.

For, as he frankly acknowledges, some of the particular observations advanced in it have become superfluous, and Ingram's general attitude seems now inopportune and antiquated. We are invited to return to an atmosphere with which we had grown unfamiliar, and the embers of extinguished controversy are, to no beneficial purpose, stirred afresh. Of the History, too, as a whole, it must be admitted that since its original publication much has happened to affect its place on the shelves of an economist's library. It is relatively less indispensable than it was, although as a book of convenient reference it seems likely to retain some absolute utility. But in the United States Professor Haney's able *History of Economic Thought*, and in France the excellent *Histoire des Doctrines Economiques* of MM. Gide and Rist, of which an English translation has recently been made, are formidable claimants for the high position once held, almost without a challenge, by Ingram's book. There were, of course, earlier competitors, free, like the later treatises we have mentioned, from the special bias of that work. But, for comprehensiveness of range, for combined largeness and exactitude of erudition, for the lucid, masterly summary of the distinctive views, both of the famous and of less known writers in different countries of the world, it secured, and for long preserved, a marked superiority over rivals. For the arrangement, mainly chronological, which Ingram adopted, it should be noted that Professor Haney and MM. Gide and Rist have substituted a classification of groups, distributed by a significant coincidence along similar lines. This treatment fixes perhaps a more permanent impression on the memory of the student than an order of time, and it lends force to the stimulating notion of an inevitable development. But, pressed too far or followed too rigidly, the arrangement becomes inept and artificial; and Ingram's notice of the origins and early stages in the growth of economic speculation and inquiry was perhaps more close and full, while in his account of later phases he did not ignore the powerful aid given to clear comprehension by appropriate grouping into schools as well as periods. His Positivist trend was of course conspicuous. The test of conformity to special prepossessions was applied with obvious lack of proportion, and no opportunity was missed of introducing, emphasising, and approving Comte's peculiar views on the defects of political

economy as taught by his unenlightened predecessors or obscurantist contemporaries, and his dogmatic declaration of the indispensable conditions of its possible or profitable study in the future was endorsed. Yet, when allowance had been made for this distraction, the reader could consult the History in the justified assurance that each author's contribution would be adequately stated and candidly expressed; and the enthusiastic ardour of an avowed friend or foe may be allowed to compensate for the colourless detachment which should characterise the impartial judge. We must accept the pardonable defects with the admired qualities of a writer; and we are sincerely grateful for the pious loyalty to an attractive figure, distinguished in other departments of study besides Economics, which has prompted this enriched edition of an economic treatise of established and deserved repute.

L. L. PRICE

*Khozyaistvo I Tsena* (Economy and Price). By Peter Struve. (St. Petersburg-Moscow, 1913.) First Part.

PROFESSOR STRUVE, in the preface to the first part of this most interesting and highly important work, informs the reader that the second part is already written, that some part of it is in the hands of the printers, and "if health will allow," will very soon follow the first part. We have therefore somewhat delayed our review in order that we might present it when the work is completed. However, the war seems to have interfered very much with the scientific work of Professor Struve, who is not only a professor of political economy, but also a prominent political writer and public man, and has taken an active part in the defence of his country. We decided, therefore, not to wait longer, but give meanwhile a brief review of the first part.

Professor Struve divides his book into two sections, which are preceded by an Introduction. The Introduction and the first section, as well as the first chapter of Section II., may be designated as theoretical, and the rest of the book as historical.

Now what are the theoretical discoveries of Professor Struve concerning value and price? Briefly this, that value is an economic superstition, something like the doctrine of "original sin." Professor Struve seems to lay very great stress on this analogy between the Marxian theory of value and the teaching of Thomas Aquinas, Anselm of Canterbury, and other theologians. He gives quotations from all of them, showing that both parties—

Karl Marx and the scholastic theologians—accept abstract conceptions as realities.

Just as the theologians of the Middle Ages gave to sin a meaning of a separate existence living in the body of man, so has the economic school of labour given to value a separate existence dwelling in commodities. And in the same way as scholastic writers made men's actions dependent on original sin, so, according to Marx, "empirical" prices are "governed" by the law of value, and, so to speak, derive their existence from the "substance of value."

Professor Struve is, however, not only flogging the dead horse of the Marxian theory of value, but also the psychological or subjective school. It is true he does not devote any space in his book to denouncing the subjective or utility theory of value as he does the labour school, against which he directs all his shafts. But his general arguments against the conception of value as against scholastic "universalia in re" comprise also the later theories, and he makes no exception when he says: "Value both as a substance and as a 'universale' of price is a conception which is useless for learning the empirical facts of the derivation of price. It is nothing but a metaphysical hypothesis which has no application in science."

That is, according to Professor Struve, prices do not depend on value, but the latter derives its existence from prices. It is only a statistical result, which is based, however, not on an arithmetical or geometric mean; neither is it a central quantity (median) nor a quantity of most frequency (mode). It is only an "isolated estimate," which is more or less a mode.

The "estimate" of which Professor Struve speaks is thus not a subjective valuation, but an objective one. It results not from the standpoint of personal wants, tastes, interests, or opinions of the buyer or seller, but from the standpoint of general opinion. It is the valuation as done by an expert. It is only an expression of "a general estimate."

So far, so good, but the following lines which Professor Struve adds in elaboration of his theory leave us quite confused: "Such a valuation cannot be the primary element in price," says Professor Struve on page 94. "To arrive at such a valuation one must first obtain a considerable amount of subjective estimates which have already taken the form of prices."

But if prices are the realisation of "subjective" estimates then the theory of subjective values is quite right in ascribing to the personal wants, tastes, &c., the elements of prices.

Generally speaking, the whole theory of value as propounded by Professor Struve leaves us very much perplexed and confused. Having annihilated value as a conception which, as we have been used to understand, preceded price, he does not tell us what price is and on what it is based. If labour and subjective or psychological elements are not to be counted as elements of price, what then is it that makes one pay so much and no more or less? And if, on the contrary, these elements do enter into prices as the basis, then Professor Struve's whole theory is but a play of words.

We must, therefore, trust that having done away in the first part of his book with value as with "a useless thing for the study of prices," Professor Struve will explain to us what he means by "prices" in the second forthcoming part of his *Economy and Value*.

Anyhow, in rejecting any theory of value as useless for the theory of prices, Professor Struve turns to the study of prices themselves in their historical aspect in trying to define the relation between free market prices and "normal prices," that is, prices fixed by governments, municipalities, guilds, or other administrative agencies. In this study, which is a most learned one, Professor Struve comes to the conclusion that "free" prices precede "fixed" ones, which conclusion, as he himself points out, is contrary to the existing view of some German economists like Simmel, von G6möry, and others.

In the theoretical part of his book Professor Struve tries also to establish new definitions, or, to be more exact, a new classification of forms of economy. He seems very anxious that students of political economy should not mix up society with economy (or economical autonomy), that is, sociological categories with economic ones. For this purpose he gives a new definition of economies which, according to him, may manifest themselves in the three following forms: First, they may be a conjunction of single autonomic economies which are not in reciprocal action; second, they may constitute a system of mutually reacting economies; and, third, society as an individual economy which may be realised in a collectivist state.

Professor Manuilov, in the Russian monthly, *Vestnik Evrope* (October, 1913), has already pointed out that there is really no need for any new definitions or classifications, as no economist of repute could possibly mix up social phenomena with purely economic ones. Besides, Professor Struve's classification by itself raises rather some difficulties for a clear understanding of the real difference between the various forms of economies and



social activities. Still, Professor Manuilov admits the importance of further insisting in science on the separation between social and economic phenomena.

It is, however, worth noticing the opinion of Professor Struve concerning a socialistic state of society. According to him there are at present no data to judge whether collectivism will restrict individual liberty or broaden its basis. Logically it is possible that liberty will increase, but all depends on the nature of the psychology that will arise on the basis of relations between the economic autonomy of the state and other forms of self-consciousness. "This," says Professor Struve, "can be completely decided only by social experience. That is to say, only the real existence of collectivism will prove the expediency or otherwise of such a social organisation."

In conclusion we must say that, had Professor Struve not been so learned, his book would certainly have gained very much. We should then have been spared a mountain of quotations and references which add neither strength nor lucidity to the general arguments of the book. The digressions would not carry us so far away as the study of forestry and theology, and, what is still more important, we should then have more of Professor Struve himself, who has much of his own to say.

SEMEN RAPOPORT

*Wirkung der Deutschen Sozialversicherung. Mit Nachtrag: Die Sozialversicherung und der jetzige Krieg.* By DR. FRIEDRICH ZAHN. (Munich: J. Schweitzer Verlag. 1915. Pp. 116.)

THE German system of social insurance has served as a model and a basis for so many social insurance schemes (including our own) that a survey of its effects on all the factors concerned should serve a useful purpose. Dr. Zahn has provided such a review in his article in the *Allgemeines Statistisches Archiv*, which is printed at the same time as a booklet, and if it is somewhat brief it offers the compensation of being comprehensive. The effects of German social insurance are considered as they touch (1) working people, (2) employers, and (3) the State; and the great value of the dissertation consists in the numerous useful statistical tables that Dr. Zahn presents.

Dr. Zahn is a great believer in the beneficial results of insurance; he regards the outlay of each of the participants not as a burden, but as a sort of investment, the result of which is to increase the health of the working classes and lengthen life—

a result which is clearly good for the social system as a whole. The workers themselves are healthier and happier; and the assurance that their weekly contributions make provision for dark days is a source of mental comfort. The net result is greater efficiency and increased production. These truisms Dr. Zahn illustrates illuminatingly in his tables. He maintains the thesis that Germany has so successfully maintained her military position in the war up to the present not only because she had made her military preparations, but also on account of her economic, financial, and intellectual preparedness, and in the latter a prominent part was played by social insurance.

Dr. Zahn claims that though organised for peace conditions, German social insurance has been able successfully to adapt itself to the new war requirements. To the unprejudiced observer the statement of his case hardly warrants the somewhat excessive praise meted out to the system. It appears to have done the obvious things in the circumstances—no more. However, Dr. Zahn is not polemical in his Appendix, which deals with the effects of the war on the German social insurance scheme. He keeps strictly to his subject, and indeed he welcomes—it must be confessed, in the pre-war article—the gradual growth of uniform international labour laws as contributing to international understandings. One cannot help wondering what will happen to these international understandings now. In any event, Dr. Zahn prophesies the extension of social insurance schemes after the war everywhere, and those who desire to prepare for their working cannot do better than refer to Dr. Zahn's pages for a very competent statistical review of the past working of one of the oldest schemes.

M. EPSTEIN

*Einkommensteuerepflicht und Einkommensteuerveranlagung im Kriege.* By DR. G. STRUTZ. (Berlin: Julius Springer. 1915. Pp. iv + 75.)

*Die Einwirkung des Krieges auf die direkten Steuern im Königreiche Sachsen.* By DR. W. KAUFMANN. (Leipzig: Arthur Rossberg. 1915. Pp. 44.)

If there should be any Prussian man or woman who imagines that in war-time there is no need to pay income-tax, the more so as incomes in war-time are very uncertain, Dr. Strutz is at pains to make clear that such is not the case and to elaborate the Prussian legal practice on the subject. Dr. Kaufmann does the

same for Saxony, much more briefly. Neither book is of any very great interest to the student of general finance; neither says a word about the prevailing deficits in the Imperial, federal State and municipal budgets in Germany which the financial history of 1915 has already recorded. Anyhow, out of the midst of much legal phraseology it appears that a tax-payer called to the colours is *ipso facto* no longer liable to direct taxation.

M. EPSTEIN

*Practicable Socialism: New Series.* By CANON BARNETT (the late) and MR. S. A. BARNETT. (Longmans, Green & Co. 1915. Pp. xi + 338. Price 6s. net.)

A BETTER title might perhaps have been chosen for this volume. "Practicable Socialism" seems to suggest somewhat more than the book contains, and those who turn to it expecting to find Socialism scientifically treated, or some complete scheme for social and industrial reorganisation, will be disappointed.

The book consists of thirty-four papers and articles, ranging over the thirty years from 1883 to 1913. The great majority are reprinted from *The Contemporary Review*, *The Nineteenth Century and After*, *The Westminster Gazette*, and other periodicals and newspapers. Nine of them are by Mrs. Barnett, who in her Introduction explains that the principle followed with regard to all the papers "has been to print those which deal with reforms yet waiting to be fully accomplished"—a plan to which, however, she has not kept very closely. The articles are grouped in six sections, under the heads of Religion, Recreation, Settlements, Poverty and Labour, Social Service, and Education; and they therefore deal with a great variety of topics. There are, for instance, articles on "Cathedral Reform," "The Children's Country Holiday Fund," "Town-planning," "The Mission of Music," "Oxford University and the Working People," "University Settlements," "Charity," "Poor Law Reform," and so on.

Although the book as a whole is of considerable general interest, there are only certain parts of it which will make any special appeal to economists *quâ* economists, and many of the articles, though admirably adapted to the purpose for which they were written, are very slight, and we should have thought hardly worth reprinting. Perhaps one of the best, from the economist's point of view, is the article which originally appeared in *The Nineteenth Century and After* for February, 1913, on "Our Present Discontents," in which Canon Barnett

goes straight to the heart of the question when he points out that the cause of working-class discontent is poverty, that poverty does not mean destitution, and that the cure of destitution is no remedy for discontent. He does not appear to lay quite sufficient stress on the want of freedom and the want of responsibility in industry as causes of discontent, nor does he mention the fact that more leisure, as well as increased wages, is a crying need of the poor—a point on which he felt strongly, however, for in another paper he writes:—"There is a call for another Charles Booth, to make an inquiry into 'the life and leisure of the people,' which might be as epoch-making as that into 'the life and labour of the people'" (p. 88).

The book is not well arranged, for there is a good deal of overlapping with regard to the six sections, and it is difficult to discover that any method at all has been adopted with regard to arrangement within the sections themselves. Why, for instance, to take only one example, should not the three articles on Poor Law Reform in the section on Poverty and Labour, all written in 1909, have been placed together, instead of being scattered about, without reference to their chronological order, amongst other articles on different subjects?

Though many of the papers are rather slight, and while some of them may not be of very great interest to those outside the wide circle of the late Canon Barnett's personal friends, the book is a striking record of the ideas and aspirations which have lain behind the disinterested work carried on by the authors in East London for so many years, and it is full of wise sayings upon many social problems, which should appeal to all who care for the causes to which Canon and Mrs. Barnett have devoted their lives.

H. SANDERSON FURNISS

## REVIEW-ARTICLES

FRIEDRICH LIST : THE PROPHET OF THE NEW GERMANY.

*Friedrich List als Prophet des neuen Deutschland.* By KARL KUMPMANN. (Tübingen : J. C. B. Mohr (Paul Siebeck). 1915. Pp. iii + 52.)

"A PROPHET is not without honour, but in his own country, and among his own kin, and in his own house" (Mark vi., 4), would have been a good text for Dr. Kumpmann's sermon, had not the fashion for quoting Scripture gone out in Germany in these latter days. In a bibliographical note at the end of his pamphlet the author remarks that the List literature is amazingly poor, and (we might add) especially considering the vast amount of labour spent by German writers on economists many classes below List in reputation. His friend, Ludwig Häusser, published (1850-1) his principal works in three volumes with Life, but the promised supplement of the smaller works of List never materialised. An occasional essay in an economic journal or dictionary and a place in histories of political economy only served to show how little the prophet was honoured in his own Fatherland. There is no work, says Dr. Kumpmann, which does justice to the higher claims of List. "The best critical estimate of his work is by the Frenchman, Rist" (in the *History of Economic Doctrines*, by Gide and Rist). Dr. Kumpmann does not refer to the appreciation of the work of List in America and in England, though the excellent work of Miss Margaret Hirst (*Life of List with Selections from his Writings*) ought to have appealed to him if only for the very full bibliography.

Dr. Kumpmann himself has no doubt regarding the greatness of his prophet. In the very first sentence he declares that Friedrich List is the most important political economist that Germany has produced, and in the last sentence he expresses the fervent hope that his study may help to call attention to the great master. List showed real original power of the first order on two sides. In the first place, he put in proper perspective the importance of the *mental capital of the race* as contrasted with

the accumulation of material values. The following sentence is one of his key-positions and is of special interest at the present time:—"The power of producing wealth is therefore infinitely more important than wealth itself; it ensures not only the possession of what has been gained, but also the replacement of what has been lost." What is the organisation of which we now hear so much as the foundation of Germany's strength but a striking illustration of this foundational idea of List? It is from this standpoint that List treated the controversy between Protection and Free Trade. According to List, neither system is an end in itself, but simply a means to achieve a certain end, namely, the greatest development of productive power. Protective duties were only justifiable as educative taxes. It is this part of the teaching of List which has attracted most attention in English-speaking countries, partly owing to the similarity of the thought to that developed by Henry Carey.<sup>1</sup>

It is, however, to another side of the genius of List that Dr. Kumpmann has devoted his inquiry. List was not only an economist, but a political economist, and the principal application that he made of his economic principles was to the case of the development of Greater Germany. Of this development he was the great prophet and, up to a point, the true prophet. The keenness of his vision can only be realised by calling to mind the old Germany of the many states and the many tax systems, and comparing with it the Germany of July, 1914. It was in 1819 that List adumbrated his scheme for a Zollverein between the various German taxing powers. At that time Prussia alone had within its boundaries sixty-seven tariffs, levied according to districts, some on persons and some on things. Taxes on 2,775 articles were collected by an army of 8,000 officials.<sup>2</sup> The other states and cities were equally afflicted. No wonder that in those days List was a Free Trader. The wonder is that he did not regard as Utopian the establishment of internal Free Trade in Germany—as Adam Smith himself looked on the like case in England.

But the internal economic development of Germany was only the beginning of the vision. List set up a political programme which was partly realised by Bismarck—the practical statesman, as Dr. Kumpmann observes, who was the fulfiller of so much

<sup>1</sup> The present reviewer has dealt mainly with this side of List's writings in the Introductory essay to the new edition of Lloyd's translation of the *National System* (Longmans, 1904). Cf. also *The Neutrality of the United States* (1915) (ch. iv. on the Commercial Policy of Germany) on List's wider views on the expansion of Germany.

<sup>2</sup> *Life of List* by Miss Hirst, p. 11.

of List's ideal. At the same time, we must recognise that with List the internal and the external development of Germany were inseparably joined together.

In the far-off days before the war it was always an unexpected pleasure to find a German work in which clearness, proportion, and, above all, brevity were preferred to their opposites. Perhaps the highest praise we can offer to Dr. Kumpmann is that his pamphlet might have been thought out and written in French, such are its merits—such is its freedom from the besetting faults of his countrymen. In a note of apology at the end he simply says that he has given no references, but that the reader will easily find the significant passages in the index to Häusser! It is to be hoped so excellent an introduction without encumbrances to the real List may be translated into English.

The first section of the pamphlet declares in no uncertain voice that List was a political thinker of the first rank born before his time—a prophet who knew that he was writing and agitating for the future. His ideas were so large that at first he was looked on merely as the maker of the project of an Empire, until the war of 1870–I showed that the project was in process of becoming a reality.

In a few lines a contrast is drawn between the old Germany into which List was born and the new Germany of which he was the forerunner. List was the great path-breaker in two directions which vitally affected the internal development of Germany. His scheme (1819) for a Zollverein became a reality in 1831, and the next year is given as the date of the beginnings of the German railway system. List looked on the construction of railways and the furtherance of internal free trade as parts of the same economic policy. The Zollverein and railways have made modern Germany, and in both the chief builder was List.

In the second section are brought out the leading ideas of List's economic system. It is admitted that in his zeal for the exposure of the fallacies of "the school" he failed to distinguish between the real Adam Smith and the scholars who had reduced the teachings of the master to a few simple dogmas. As the present writer has shown elsewhere, most of the criticism of List as applied to the real Adam Smith is irrelevant. But even to-day, how many English people know more of the real Adam Smith than is contained in his saying that defence is of more importance than opulence? List, however, did not know or remember that Adam Smith had made this utterance. He looked on Adam Smith as a cosmopolitan, and he set up against him the National System

of Political Economy. Nationality was the first ground-thought of the new master. The second was the displacement of material capital ("fast-frozen labour-time," as the German Socialists came to call it) by living productive labour as the chief requisite of national power. Again, List forgot, if he ever knew, all that Adam Smith had written of the living instrument as compared with the dead machine. But the attack of List on "the school" was just and opportune, and his teaching was as much needed in England as in Germany. In the former country there were philosophers who looked for the natural disintegration of the British Empire, just as in the latter there were philosophers who could not imagine the integration of the German Empire. The nationality that List had in view was of the kind that has since come to be called Pan-German. The German race, in his opinion, was eminently fitted by its natural qualities—a large number are enumerated, including a great fund of "natural morality"—for entering the front rank as a world-power in the economic sense.

In the third section the internal economic policy of List is sketched in "a couple of sentences because to-day it is common ground for all political parties in Germany." And the first requisite—strange as it may seem to us—is, of all things, more freedom, and freedom in our English sense of the term, freedom of thought, freedom of the Press, freedom *from* the government, &c., "for without freedom there is no true Kultur—no well-founded polity." Here it may be observed that List himself was an ardent admirer of the British constitution (notably, by the way, of trial by jury), and he looked forward to the growth of a German constitution on similar lines.

The fourth section ostensibly deals with the Zollverein and the political unification of Germany, but always with the understanding that united Germany is to take her proper place amongst the nations. Internal union is only the first step to the assertion of German national power in the outer world. The prophet, in spite of his long residence in the United States of America, never thought of Germany as a republic, nor, on the other hand, as a despotism of the Russian kind—a constitutional monarchy was his ideal, but [unfortunately], as he showed, this new birth of Germany was only to be expected from Prussia. The Prussian part of the prophecy was true enough, but in the meantime German constitutional freedom became an example of *lucus a non*.

Sections 5 and 6, which deal with the ideas of List on Germany as a world-power, are of the greatest interest at the



present time : but on so large a subject it is impossible to attempt further condensation than is effected by Dr. Kunpmann.

The ground-thoughts are three, and the first is the development of the consular service. How much of the growth of German foreign trade has been due to the consular service we are only just beginning to realise. We are just beginning to learn that, even in war-time when we rule the seas, the capture of German trade means a far more effective consular service. One of the most important functions assigned by List to the consuls was to direct the stream of emigration from Germany, and the management of what we now call the peaceful penetration of every continent. His second ground-thought was precisely this peaceful penetration. Incidentally, List does not approve of the principal emigration of Germans being to the United States. The absorbing power of the States is too effective. "There is not a German in the States whose grandson does not far prefer the English language to the German." The third requisite for German world-power is a great fleet. This is a text that needs no comment.

One of the most interesting parts of the work of List, and also of his latest expositor, is the consideration of the relations of Germany to other world-powers. List looked on France and Russia as the natural enemies of Germany—France on account of her restless militarism, and Russia through her instinctive striving for expansion. In fact, List saw in France and Russia separately what we now think we see combined in Germany.

In the vision of List, as in the history of which it is a reflex, it is always England that plays the chief part. England, he thought, had gained the commercial supremacy of the world by that monopoly which Adam Smith called the great engine of the Mercantile System. England was ready to throw away the ladder of Protection when she no longer needed it, but she did not mean other nations to follow in her steps. Universal Free Trade had become the English ideal only because at the stage she had reached it best suited her interests. List maintained that the other nations, and notably Germany, must follow the path of Protection until they were strong enough to roam at large under Free Trade. So far, German interests were economically opposed to those of England. England was looked on as always striving to keep down a rising rival. This idea of English policy is still dominant in Germany and is the main reason why the Germans think we manœuvred to encircle them with hostile warring nations.

But List the prophet looked to a more distant future. In the last scene of his vision he sees Germany and England as allies in world expansion. Germany will assume the protectorate of Turkey, but will thereby act as guardian of British communications with the East. The south-eastern expansion of Germany was not approved by Bismarck, but has been approved by the man who dropped Bismarck as pilot. At this point the vision of List—with our present outlook—soars into the unreal or the ideal. The last scene is a great confederation of all the European nations—a great United States of Europe—under the hegemony of England, England content to be an equal amongst equals. And for what end? What is to be the binding force of the union? The answer is startling, having regard to present conditions. The United States of Europe was to be founded and maintained to keep in check the United States of America. When, relatively to the gigantic American nation, England had become, so to speak, a little Holland, in her own interest she must strive to lead the United States of Europe against the Marinismus of America.

In his last days the idea of an alliance between England and Germany became the dominant thought with List. His last work was a tractate *On the Value and the Conditions of an Alliance between England and Germany*. For the furtherance of this object he came to England, where he witnessed the final stages of the repeal of the Corn Laws, and saw face to face the leaders of English politics. His project of an alliance was received coldly. The advantages seemed too far off to the practical imagination of the English statesmen. In the opinion of Dr. Kumpmann the chagrin caused by the failure of this cherished scheme was the immediate cause of the tragedy by which he put an end to his life. A fitting omen for the greater tragedy of to-day! "Back to List" is the moral which Dr. Kumpmann commends to his countrymen, but what a gulf must be bridged over before the passage can be made!

J. S. NICHOLSON

#### BRITISH INDUSTRY AFTER THE WAR.

*Report of a Sub-committee of the Advisory Committee to the Board of Trade on Commercial Intelligence with respect to measures for securing the position, after the War, of certain branches of British Industry.* (Cd. 8181. 18 pp. Price 2½d.)

THIS report is signed "Algernon E. Firth, A. J. Hobson, Stanley Machin, E. Parkes, Albert Spicer," the last named, however, appending a reservation indicating that he is not prepared

to swallow the whole of the Protectionist proposals of his colleagues. The President of the Board of Trade publishes the document "without, of course, taking responsibility for any of its conclusions," which is a little like the conduct of the proverbial father who introduces his unattractive son to the schoolmaster with a hint about the unpleasant hereditary characteristics of the boy's mother's family. If the President did not select the Sub-committee, he must at any rate have selected the Committee.

Like many another modern politician, pathetically endeavouring to be "efficient" under the lash of the daily journalist, who despises thought because he has no time for it, the President has displayed an unfortunate readiness to start an inquiry how something is to be done without first asking whether it is desirable to do it.

Early in the present conflict the Board of Trade allowed itself to be rushed by newspaper agitation into giving countenance to what was called the "war on German trade," by which was meant not the operations of the Allies' navies, armies, and custom houses during the war, but a movement in the direction of producing in this country every kind of manufacture hitherto exported from Germany, whether important or unimportant, whether likely to afford lucrative employment or starvation wages. Some measure of success having been attained in this, it is supposed necessary to appoint a Sub-committee "to make recommendations as to the best means of securing the position after the war of industries undertaken in consequence of the Exchange meetings and the British Industries Fair organised by the Board of Trade." Precisely what industries have actually been undertaken in consequence of this unusual—perhaps fortunately unusual—activity of the Board of Trade we are not told. The Sub-committee say:—"The following were the branches of industry to which it appeared that our inquiries could most usefully be directed, having regard to the terms of our reference:—Paper manufacture, the printing trade (including colour printing), the stationery trade, the jewellers' and silversmiths' trade, cutlery, fancy leather goods, glassware (including table glass, laboratory ware and glass bottles), china and earthenware, toys, electrical apparatus, brush, &c., trade, hardware." We can scarcely be expected to believe that the efforts of the Board of Trade caused new industries to be undertaken in all these branches of manufacture, and we notice that the Sub-committee's circular letter of inquiry speaks of "possible measures for assisting British manufacturers to maintain, after the conclusion of the present war,

such new developments of industry as *they may have undertaken in consequence of present conditions*," not such as they have undertaken in consequence of the measures taken by the Board of Trade. Further on the letter becomes even wider in scope. It asks for observations on assistance to scientific research; on copyright and patent law, trade-marks and merchandise marks, transport, finance, and trade fairs and exhibitions; and then expresses readiness to receive suggestions of a general character "in regard to such matters as the conditions under which, prior to the war, the manufacture of" articles in which the addressees were interested "was carried on in this country in competition with Germany and Austria-Hungary, and any special difficulties which that competition encountered." The inquiry thus gets completely away from its original purpose, and becomes little more than an invitation to persons carrying on particular trades to say how they would like the Government to assist them in competing with persons carrying on those trades in Germany and Austria-Hungary. Even this is not wide enough for the Sub-committee; it actually proceeds to receive the complaints of the printers against the copyright law of the United States and agrees to their proposal that our own law should be assimilated to it, which would not affect German and Austrian competition in the least degree.

A very natural consequence of the Sub-committee's methods was that all the particular matters on which it asked for guidance were "regarded as of secondary importance in comparison with one question, and that is the possibility or otherwise of tariff protection after the war. Practically all the representative firms and associations consulted by us asked for a measure of protection." Why? The effects of the war are given as a reason in section 49, which recalls the fears felt by the agriculturists in 1814 and their successful demand for a higher protection against the disastrous foreign competition which they imagined would ruin them on the conclusion of peace:—

"There is a general fear that, immediately after the war, this country will be flooded with German and Austro-Hungarian goods, sold at almost any price, and that the competition in price which was going on before the war will be accentuated, with resultant serious difficulty to all manufacturers of goods of kinds (*sic*) exposed to this competition, and positive disaster to those manufacturers who have been encouraged to extend their operations or engage in new branches of industry with a view to capturing trade hitherto carried on by enemy countries."

This fear is said to be based on two beliefs, firstly, that large stocks of some things have been accumulated, which the Sub-committee evidently doubts, and secondly, that Germany "will make every effort to recover her position in the world's markets and to crush nascent competition, and that in carrying out that policy cheapness will be a potent weapon," which the Sub-committee accepts. The possibility of the British manufacturers making every effort to retain their newly gained position and to crush renascent competition, and of their using cheapness as a weapon in the conflict, does not seem to have crossed the mind of the Sub-committee. It is strange that in these days, when everything is scarce and dear and the populace of all Europe cries out against its futile Governments because they do not keep prices down, there should be found even a Board of Trade Sub-committee so old-fashioned as to believe that plenty and cheapness are the evils against which we must be on our guard.

But, as in 1814, the war and its cessation are by no means indispensable to the demand for Protection. "The causes of the ability"—would it not be well to think also of willingness?—"of German firms in the past to undersell their British competitors" were discussed, and "most emphasis was laid on" (a) the low German export railway rates and "other transport advantages," including apparently the existence of the River Rhine, (b) the German import duties, which enabled manufacturers to combine to sell cheaper abroad than at home, and (c) the low German wages per unit of work accomplished. Superior organisation and greater attention to work by workmen seem to have been mentioned at least in one case as the explanation of the lower labour cost; the report does not suggest that anyone ever thought of inquiring whether the profits and salaries of business management were lower in Germany.

Now there must, of course, be some cause or causes why a particular thing is sold by the producers of one country at a lower price than producers of another country care to take, and presumably one or more of these causes must be proper and legitimate, even from the point of view of the second country; otherwise, in a world in which each country's affairs were well ordered by its Government international trade would cease. It would be extremely interesting to have from the Sub-committee or from some authoritative Protectionist source a definite statement of belief on the question what causes are proper and legitimate. The Sub-committee does not, indeed, say plainly that the other countries of the world ought to combine to force the German Government

to charge higher railway rates on exported goods; to remove potteries from the banks of the Rhine to some district with a geographical situation more like that of Staffordshire; to prevent combinations from selling things dear to Germans and cheap to the rest of the world; and, finally, to enact that no one in Germany shall take less wages, salary, or profit for the same kind and amount of work than the highest paid for that kind and amount of work anywhere else. But from the tone in which it discusses these matters we can safely infer that it really supposes that it would be a fine thing for the British Empire, and, indeed, the whole world outside Germany (and possibly Austria-Hungary, with perhaps Turkey and Bulgaria), if this could be done. Failing this possibility, the Sub-committee recommends indiscriminate protection :—

“15. *Tariff Protection*.—We are of opinion that where the national supply of certain manufactured articles, which are of vital importance to the national safety, or are essential to other industries, has fallen into the hands of manufacturers and traders outside this country, British manufacturers ready to undertake the manufacture of such articles in this country should be afforded sufficient tariff protection to enable them to maintain such production after the war.

“With reference to the strongly expressed opinion of many of the witnesses that the enactment of protective duties on the industries other than those referred to in the preceding paragraph, which have formed the subject of our inquiry, is essential to their maintenance, we wish to report that in view of the following considerations :—

- (a) that there exists a strong desire to respond to the feeling in our Dominions in favour of an Imperial preference in trade, and that there is also a strong desire to arrange preferential trading with those who are our Allies in the present war, and
- (b) that the present high direct taxation tends to raise the rate of interest on money, and cheap and abundant capital for the employment of their labour is of the greatest importance to the working classes,

it will be necessary to impose some widely spread import duties, and we are therefore prepared to recommend that a larger proportion of the Revenue should be raised by reasonable import duties. We are of opinion that such import duties would go a long way towards satisfying the requests for special protective treatment for the industries which we have had under consideration.”

The first of these paragraphs, omitting the words "or are essential to other industries," merely embodies an old generally received "exception to the general rule of Free Trade." It was thought of in the days of ropes and sails, and is now perfectly obsolete. It is almost incredible that five men who have presumably read the newspapers during the present war could put forward tariff protection as a means of securing the manufactured articles which may be of vital importance in the next war. Something much greater in effect than prohibition of importation, to say nothing of mere taxation of imports, will be required if the various countries are to prepare for the next war—whether in the present grouping or in some new grouping which may commend itself to the philosophical sentiment and commercial jealousies of ten years hence. Factories and trained workers will have to be kept at the call of the Government, as horses have been in recent years.

The inclusion in this paragraph of articles "essential to other industries" is amazing. There are many industries which everyone admits to be unimportant not only to national safety, but also to individual comfort. Moreover, it is not always possible to make the sharp distinction between raw material and manufactured article which seems to be necessary if we are to reconcile the new doctrine of keeping out essential manufactured articles with the old doctrine of letting raw materials in.

The second paragraph is worth following carefully. It alleges that "it will be necessary" to impose duties on many imports for two reasons, between which there is the sharpest opposition. Firstly, it will be necessary because a two-step, or more probably a three-step, preferential tariff must be imposed in order to satisfy the Dominion and Allied sentiment: there must, that is, be either free admission or a very low rate for Imperial goods, a low rate for Allies' goods, and a higher rate for goods from the countries with which we are now at war and from the countries now neutral. Now it is perfectly certain that an arrangement of this kind, if it embodied rates which gave the Dominions and Allies rates (or absence of rates) likely to consolidate the Empire or the Alliance, could not produce much money; one effect, and an intended one, would be to divert trade from its old channels, increasing trade between this country and the Dominions and the Allies subject to no duties or low duties, at the expense of the trade between this country and other countries subject to the higher duties. But the suggestion of the sentence marked (b) and the remainder of the paragraph is that an enormous sum of money is going to be raised by this egregious tariff. It is not only to "tend" to put cheap

and abundant capital at the command of the working classes, but is actually to be big enough to constitute "a larger proportion of the Revenue." In 1913-14 the Customs contributed  $35\frac{1}{2}$  millions out of a total revenue of  $198\frac{1}{2}$  and a total tax revenue of 163 millions: the Committee which had to arrange a preferential tariff likely to cement the Empire and the Alliance and at the same time to produce more than 18 per cent. of the, perhaps, doubled or more than doubled revenue which will be required after the war, would certainly find itself confronted by a stiff task. It would be driven inevitably to the taxation of necessary articles of food coming from the Dominions, to say nothing of the Allies. The present Sub-committee endeavours to reconcile the working classes to this prospect by the suggestion that if they will pay more for the things which they consume, and thereby relieve the wealthy of some direct taxation, the wealthy will save more, so that capital will be cheap and abundant, which will make employment plentiful. Was ever net spread more openly in the sight of any bird? The working classes are often inexpert in economics, but they are not so hopelessly stupid and ignorant as to be taken in by this revival of that wage-fund theory of the eighteen-forties which has been justly ridiculed by all their advocates for seventy years. They will decline to put a penny in the slot on the assurance that the machine will eventually hand out a farthing. The comfortable people who suppose that the war is going to afford a suitable opportunity for shifting a larger proportion of the burdens imposed by the incompetence of national Governments on the backs of the working classes are living in a fool's paradise: it is far more probable that, if the belligerents' national debts are not simply repudiated, drastic levies on property will take place throughout Europe in order to redeem them at the expense of the propertied classes, including, of course, the holders of the national securities themselves.

The individual purchaser, under the Sub-committee's proposals, is to be allowed to please himself whether he will contribute to the revenue by buying a foreign article on which a Customs duty is paid or a home-made one (at the same or a higher price) on which no duty has been paid. But the inhabitants of a locality acting collectively through their local authority, and even the inhabitants of the whole country, acting through the national Government, are to be allowed no such liberty. Recommendation 6 (b) runs as follows:—

"All Government Departments, Local Authorities, and Statutory Bodies entrusted with the control of monies raised by taxes



or rates should be under legal obligation to purchase, so far as possible, only goods produced within the British Empire.

"To meet exceptional cases the Board of Trade might be empowered to grant licences to Public Bodies for the purchase of foreign goods where special circumstances, including, for example, the existence of a combine or 'trust,' can be proved."

Anyone who has ever assisted at the "opening of contracts" by a local authority will smile.

Perhaps the lowest depth of all is reached in Recommendation 4, in which the Sub-committee propose a special merchandise marks law for German and Austrian goods : these are to be marked "Made in Germany" or "Made in Austria-Hungary" without any alternative, while goods from other foreign countries are to be "similarly marked either with the country of origin or with the words, 'ForeignMade' or 'Not British.'" It is not clear whether the choice between "Foreign Made" and, say, "Made in Belgium" or "Made in Bulgaria" is to be embodied in British legislation or left to the discretion of the trader in each case ; but either way the Sub-committee is dallying with an almost incredibly childish proposal for nothing but a mere petty annoyance of two countries with which a treaty of peace will have been concluded.

It might be imagined that "practical men" such as the Sub-committee was intended to consist of would realise not only that we are at war, but also that it is to most of us extremely disagreeable, and that when peace is once concluded, almost all of us will wish that peace to continue. In the heat of conflict the ordinary person says many foolish things in conversation with his family and friends, but five "practical men" assembled round a table at the Board of Trade to consider after-war problems ought to have been able to imagine how these problems will appear when peace succeeds war, and passion subsides in the breast of the victors. It will not then seem anything but sheer lunacy to offer petty insults to fallen enemies, and at the same time to do everything possible to make those fallen enemies and the rest of the non-Ally half of the world into a single trade group economically independent of the Allies, and the best motto for an essay propounding such a policy would be, *Solvat sæclum in favilla*—our world will end in smoke and fire.

EDWIN CANNAN

THE REPORTS OF THE DEPARTMENTAL COMMITTEES ON THE HOME  
PRODUCTION OF FOOD.

ON June 17th, 1915, the President of the Board of Agriculture and Fisheries appointed a Departmental Committee "to consider and report what steps should be taken, by legislation or otherwise, for the sole purpose of maintaining and, if possible, increasing the present production of food in England and Wales, on the assumption that the War may be prolonged beyond the harvest of 1916."

On June 23rd His Majesty's Secretary for Scotland appointed a Committee to consider the same question in its application to Scotland, and on June 28th the Vice-President of the Department of Agriculture and Technical Instruction for Ireland committed an identical reference to a Committee for Ireland.

(i) *The Report of the English Committee.*

The *personnel* of the English Committee was strong. It was presided over by the Rt. Hon. Viscount Milner, and it included representatives of the three political parties, together with men whose familiarity with the present condition of the agricultural industry is beyond question. It did not consider itself called upon, by the terms of its reference, to inquire into the nature and extent of any possible shortage of imported food supplies, for it felt that the Government alone was competent to judge of this, but it confined itself to the consideration of the steps which could be taken assuming that an emergency might exist after the harvest of 1916. Recognising that if anything was to be done by that date it would be necessary to act quickly, the Committee met frequently during the month following its appointment, and it presented an interim report (Cd. 8048) on July 17th.

In this report it was laid down that the main problem was how to increase the area under wheat, 95 per cent. of the home supply of which is produced in England and Wales, and the Committee concluded that this could only be solved by extending largely the area of land under tillage. This would enable more of the existing arable area to be put down in wheat, leaving the newly broken up land for the other necessary crops thus displaced, such as oats and potatoes. The Committee recognised that in advocating this course they were inviting farmers, and to a lesser extent landlords also, to adopt a policy of management bolder

than many of them might think warranted by the conditions. Landlords would have to show themselves willing to relax covenants restricting the breaking up of grass-land, with the possibility of seeing it "tumbled-down" again to grass after a few years of cultivation had exhausted its accumulated fertility. Farmers would be called upon to throw over their present methods, with their comparative security of profits, and to undertake the responsibility of an increased arable area in the face of a certain shortage of labour and a possible fall in corn prices at the conclusion of the War.

Whilst not doubting that many farmers might be found who would be willing to face these risks, if appealed to in the national interest, the Committee considered that a general movement in the direction of increased wheat production could only be secured by *guaranteeing a minimum price for home-grown wheat for a period of several years*. It seems that all the witnesses examined were emphatic upon this point; and the Committee came unanimously to the conclusion that "a guarantee of a minimum price of 45s. a quarter for all marketable home-grown wheat for a period of four years would lead to a very substantial increase in the area of wheat harvested in 1916 and to a further increase in the succeeding years." Payment to the farmer under this guarantee was to be regulated by the difference between 45s. and the "Gazette" average price of wheat for the year in which the wheat is harvested, the farmer being left free to dispose of his produce in the open market. In order to protect the State in the event of no considerable response being made by farmers (in which case the Exchequer might have to pay out considerable sums although no great quantity of additional wheat were forthcoming) the Committee proposed that to qualify for the guarantee a farmer should be called upon to show that he had increased his area under arable cultivation by, at least, one-fifth over the similar area in October, 1913; or, alternatively, that at least one-fifth of his total acreage under grass and annual crops should actually be under wheat.

This is a very remarkable recommendation, which becomes the more noteworthy when the composition of the Committee making it is borne in mind, for here are representatives of the Liberal and Labour Parties advocating what amounts to a bounty on home-grown wheat. Ostensibly the guarantee is to be for what might be regarded as a war period only, but it may be taken for granted that its application would be for a much longer period—otherwise the scheme could not be expected to bear fruit seeing that no considerable number of farmers would incur the responsi-

bility of a largely increased arable area, if the guarantee was to be withdrawn almost before this area could be brought from its original grass state into good tillage condition

The question raised by this recommendation, therefore, is whether the possibility of war, with its attendant risk to the importation of food into this country, makes it desirable to depart from principles which the majority have regarded, hitherto, as sound, in order to give an artificial stimulus to the production of wheat at home. It might be thought that the high prices ruling for agricultural products should be in themselves an adequate stimulus to increased cultivation, but this is not the case, for, apart from the difficulty of getting labour to work arable land, the high prices themselves enable farmers to reap a handsome return on their capital without the necessity of extra exertion. It is for this reason, no doubt, that the Committee thought it necessary to limit the application of their guarantee to those cases where it could be shown that an increased area under wheat had been put down. As regards the labour difficulty some figures for two Midland farms bring out very clearly the enormous reduction in labour made possible by grass farming :—

*Farm A.*

720 acres, of which only one-twelfth is arable.

Capital per acre = £5.

Men per 100 acres = 0·7.

Profit (after paying 5 per cent. on capital) = 22·5 per cent.

*Farm B.*

650 acres, of which one-half is arable.

Capital per acre = £10.

Men per 100 acres = 3.

Profit (after paying 5 per cent. on capital) = 16·1 per cent.

These figures cover the first year of the war. They bring out very clearly the smaller capital required for grass-land, the smaller volume of employment given by it, and the high return on capital. At the same time the returns in food production per 100 acres are very much less from the grass-land than from the arable farm. It is not suggested that these farms are in every respect comparable one with the other, but the figures may be relied upon sufficiently for the purpose for which they are here used, which is to show that the farmer is unlikely to do much of his own initiative to increase the production of bread food at the present time.

The questions for consideration, then, are, first, will a State guarantee of a minimum price lead to the breaking up of grass-land for the production of more wheat, and second, assuming that this would follow, is it the most desirable result to aim at?

On the first point it seems highly probable that a guarantee of a minimum price of 45s. per quarter for wheat would result in an increased area under the plough. The experience of landlords in certain parts of the country has been that farmers are not reluctant to abandon the easy practice of ranching when it has been demonstrated to them beyond doubt that plough-land would be more profitable. In the Fenland many hundreds of acres of grass have been broken up owing to the advent of the potato industry. Farmers have realised that their land was worth more for the growth of potatoes than for feeding bullocks, and many of them restrained by covenants from putting a plough into their pastures have been willing to pay a penal rent, or liquidated damages, for the right to do this. The position of the landlord who is willing to take such rents or damages need not here be discussed. Arguing from this it seems a fair assumption that farmers would respond readily enough to a guaranteed price for wheat. At the same time it is doubtful whether a four-years' guarantee would be long enough to satisfy them, and if this policy is to be regarded as a war insurance there seems to be no reason why the guarantee should not be permanent. There will be the objection that with the assurance of profit the incentive for hard work and maximum production would be lost; that ultimately a bonus to the farmers would find its way to the landlords' pockets, and so on. But no doubt the Committee's answer to all these objections, theoretical and practical, would be the necessity for insuring a higher production of food stuffs at home in case of war.

This raises the second question, namely, whether an increased wheat production should be the principal object of agricultural organisation. There do not appear to be figures available to show the cost of producing wheat in Canada, in South America, in Australia, in Russia, or in any of the other countries which supply this country, but in normal times and under peace conditions it seems likely that wheat can be sent into this country at a price which would not be attractive to the English farmer. If this is so, and assuming a state of peace, or a state of war in which Britain's command of the seas and her supremacy in the carrying trade of the world were at all events no less than in the present war, it may be argued that a better course of Government action would be in the direction of encouraging the organisation of agri-

culture in this country for the production of those things which it is most fitted to produce in competition with the world, and of these wheat probably would not be one. The whole question is based on the comparative cost of production of articles of food in different parts of the globe, and about this practically nothing is known. The field for investigation is enormous, and the need for it most urgent, and in the long run the nature of the agricultural production of this country must be determined by it. In the meantime, however, Lord Milner's Committee has its justification in the present price of wheat, and the decision for or against their proposals will depend upon the individual point of view on the probability, or otherwise, of the maintenance of British naval supremacy or of general disarmament.

The Committee recognise that a guaranteed price for wheat should entail upon the farmer the obligation to pay a fair rate of wages to his labourers; in fact, some members were evidently in favour of accompanying the minimum price with a minimum wage. They contented themselves, however, with recommending that an inquiry into wages and earnings should be instituted at once.

An appendix to the Report describes the procedure recommended for securing a breaking up of land and the cropping of it to the maximum advantage.

On October 15th following the Committee presented their Final Report (Cd. 8095). In the meantime the Government had decided not to adopt the recommendation of a guaranteed minimum price for wheat, on the grounds that the danger from submarines was insufficient to justify it, but the Committee took the opportunity of stating their firm conviction that the conversion of arable land into grass, which has taken place to the extent of nearly 4,000,000 acres during the last forty years and is still going on, was bound to result in a diminution in the amount of food produced, and that much of this land would carry more stock under the plough, whilst at the same time producing corn for human consumption. They recognised, however, that the process of reconversion, though beneficial to the nation, would not necessarily be attended by any increase of profit to the farmer, though the evidence put before them indicated that arable farming during the few years prior to the War had been remunerative, and that it could be intensified and cheapened by the employment of machinery in such a manner as to render it possible to pay a higher wage to the agricultural labourer. The stimulus of rising prices prevailing before the War, coupled with the spread of

education, might have been sufficient to bring about in course of time the desired changes, but the Committee felt that in the present emergency, both as regards the increased production of food, the reduction of purchases abroad, and the provision of employment after the War, some action might be taken by the State to hasten the process.

The remainder of the Final Report dealt with the provision of fertilisers and feeding stuffs; increased attention to pig-breeding (as to which the very questionable recommendation was made to the effect that bye-laws prohibiting pigstyes near dwelling-houses should be relaxed); labour, labour-saving machinery, and the employment of women. Attention was also called to the use of waste land in towns and villages for the production of vegetables, and the Committee expressed regret that the sugar-beet industry had not been established in this country before the War. It recommended the amendment of the Development and Road Improvement Funds Act to enable the Development Commissioners to assist suitable schemes in the future. The Committee was not able to recommend the establishment of a reserve of wheat.

Two members of the Committee refrained from signing the Final Report, and presented a Minority Report to the effect that they regarded the recommendations put forward by their colleagues as applying to conditions after the War, which were outside the terms of the reference.

(ii) *The Report of the Scotch Committee.*

Like that of the English Committee the *personnel* of the Scotch Committee was strong; possibly, practical agriculture was more fully represented upon it. The Committee addressed circulars to 176 agriculturists and traders (from 135 of whom answers were received); it inserted notices in the Scottish Press indicating that it was prepared to receive the views of agricultural societies; it heard the evidence of forty-five witnesses; its Report (which bears no date) was signed by all the members of the Committee with reservations by certain of them, and in it the suggestions for the maintenance or increase of the food supplies of the country are grouped under three heads:—

A. Increased production.

B. Avoidance of waste.

C. Using sources of supply not at present available.

Dealing with the first of these, the Scotch Committee avoid the controversial questions raised by the English Committee's recom-

mendations. The advisability or otherwise of resorting to artificial means to stimulate the production of wheat was considered by them, and some of the witnesses gave evidence in favour of a guaranteed minimum price, but they did not see their way to overcome the practical difficulties likely to arise. The Committee also considered the question of the compulsory conversion of grass-land, but quite apart from the fact that they do not appear to have been agreed that the increase of arable land would lead to the production of more food (a question upon which the English Committee were fully satisfied), they doubted the practicability of setting up the necessary administration for scheduling the land to be broken up. It may be inferred that the Committee had before them the Interim Report of the English Committee, and that they did not think its recommendations were applicable to Scottish conditions.

All the recommendations as to the increase of production are of a practical nature, and hardly call for examination in detail here. They relate to such matters as the more general use of artificial manures, and the restriction of their export; the advantages derived from frequent changes of seed, and cheap rail carriage for agricultural seeds and live stock for breeding purposes; the extension of the use of machinery; the provision of allotments; the extension of co-operative organisation for purchase and sale. Like the English Committee, the Committee for Scotland recommended that there should be relaxation of the bye-laws relating to pigstyes, "so far as is consistent with a due regard for the public health." Both Committees are thus of the opinion that the bye-laws impose unnecessary restrictions, but inasmuch as they have been framed for the protection of public health it is doubtful whether any general movement to re-establish pigstyes close to dwelling-houses is desirable. A great deal might be done, however, to promote pig-keeping if landlords would undertake the provision of pigstyes on garden allotments wherever these are sufficiently near to the homes of the tenants to enable them to undertake the management of pigs.

On the question of labour as related to increased production, the Committee recommended that representations should be made to the military authorities that any attempt to increase or even to maintain food production would be made impossible by a further withdrawal of experienced workers from agriculture.

The recommendations as to the avoidance of waste deal mainly with the conflicting interests of the game preserver and the food producer. So much has been written on the loss to agriculture



from the withdrawal of land for deer forests, and the multiplication of game by artificial means, that it is of particular interest to note that this Committee of Scottish agriculturists recommend the necessity for allowing agricultural tenants the unrestricted privilege of killing rabbits, including the right of entering into woods, the employment of special men for the work, and permission to kill rabbits on moors without reference to any time limit. They recommend further that an appeal should be made to all owners of deer forests and grouse moors to allow these to be used for grazing cattle or sheep, and, lastly, that all artificial rearing of game should be discouraged. Inferentially, this furnishes a severe condemnation of undue game preservation, and it would seem that in Scotland the balance between agriculture and sport has not yet been struck. Golf courses, it is suggested, might also be utilised to greater advantage for grazing purposes.

As to the utilisation of sources of supply not at present available, no recommendations appear to be made, but it was suggested that Local Committees should be set up for stimulating production in every possible direction, and the constitution of these Committees was outlined.

(iii) *The Report of the Irish Committee.*

The Committee set up by the Vice-President of the Department of Agriculture and Technical Instruction for Ireland was larger than the English and Scotch Committees together; it may therefore be taken as fully representative. It presented its Report on August 19th, signed, with certain reservations, by all the members except two, and one of these, Sir Horace Plunkett, Bart., presented a Minority Report. The Committee were impressed with the necessity of increasing the area under corn, and consequently the area under the plough, just as the English Committee had been, and they recommended that the Government should guarantee a minimum price for oats and wheat for one year, recording their opinion that having regard to the risk of loss run by the farmer in breaking up grass there would be no departure from sound economic policy in agreeing to a minimum price to secure him against it. No actual figures were suggested for the guarantee, which was to be restricted to one year. The question for and against State guarantees has been stated in dealing with the English Committee's Report, and it is only necessary to add that it is difficult to understand how any body of agriculturists could suppose that one year's guarantee would

suffice to bring about the desired result, namely, the breaking up of grass-land.

In the second place the Committee recognised the difficulty which confronts all communities of small-holders, namely, how to obtain the advantages of labour-saving implements and machinery, and they endorsed the action already taken in certain parts of the country in the establishment of co-operative implement societies with the aid of loans from the Department, and recommended the extension of the scheme. After a recommendation of a system of loans for the provision of boats and gear for the capture of fish, the Report concludes with an appeal to patriotism.

There is nothing striking about this Report except its futility. Not a word is said about co-operation, except in connection with implements, which is the life-blood of the small-holder, and which has done more than any other agency to increase production in Ireland. Sir Horace Plunkett, as President of the Irish Agricultural Organisation Society, seems to have been fully justified in presenting a Minority Report in preference to signing that of the Committee. It is not necessary to analyse his Report in detail, for it is, in effect, a brief statement of the whole case for co-operation. The practical recommendation contained in it is that the state of war which seems, most regrettably, to exist between the Department and the Irish Agricultural Organisation Society, and must react most prejudicially upon the agricultural industry of Ireland, should give way to a truce, and that a joint Committee should be constituted to decide "by what co-ordination of function the two bodies can work together towards an increase of food production in Ireland."

The three Reports, that of the English Committee, the Scottish Committee, and the Minority Report of Sir Horace Plunkett, are complementary to each other, and among them they probably state all that can be done to stimulate production in these islands. The English Report deals with legislative measures, the Scottish Report deals with technical measures, and Sir Horace Plunkett's Report deals with measures for the better organisation of agriculture. It seems unlikely that any of them will bear immediate fruit, and in the long run it is to the better education of the landlord and of the farmer that we must look for that increase of production which many are agreed could profitably be achieved.

• C. S. ORWIN

## RECENT MEMORANDA ON RAILWAY TOPICS.

I.—*A New Project of Railway Control in the United States.*

THE present writer has often said that the strongest argument for the nationalisation of railways is that, if not nationalised, they must be controlled by the State; and that, so far, no State has worked out a reasonably satisfactory system of control. A few years ago it looked as though such a system might be worked out in the United States. But unfortunately they began too late. And before the wise people could make their work effective, the shortcomings of the companies in various directions—a bad breakdown of the operating organisation, a series of disastrous accidents, not a few financial scandals, and so forth—and, finally, the dread that Wall Street control, as typified by the late Mr. Harriman, would establish an *imperium in imperio*, swept the public off their legs; and the fools rushed in, with the politicians of the baser sort at their head, and proceeded to smash the machine. At the present moment it would be difficult to find a human being throughout the length and breadth of the States who is satisfied either with the methods of railway regulation at present in force or with the results that they have achieved. The recent appointment, at the urgent insistence of President Wilson, of a Congressional Commission to investigate the whole subject is one sign of the public disenchantment. Another may be found in a paper contributed to the *Michigan Law Review* of November last by a distinguished company, or, as they say in America, “corporation” lawyer, Mr. William W. Cook.

Mr. Cook is not only Standing Counsel to a group of cable and telegraph companies, but also the author of the standard textbook, *Cook on Corporations*. Mr. Cook says straight out, “Commission regulation as a complete and final remedy is an absolute failure.” He proposes a sweeping change: in effect that the Federal Bank plan should be applied to the railroads. And he has drafted a Bill showing the manner in which his idea might be brought into force by Congress. In outline his scheme is as follows:—There would be formed five Regional “Federal Railroad Companies.” The five regions would be: (1) New England; (2) What is now known as Trunk Line Territory, namely, the whole of the country north of the Ohio and the Potomac that lies between the Atlantic and the Mississippi; (3) the South east of the Mississippi; (4) The South-West; and (5) The North-West.

Each company would issue sufficient of its own stock, which would be guaranteed a fixed rate of dividend by the United States Government, to enable it to acquire by purchase a controlling interest in the stock of the railroads within its territory. Owning a majority of the stock of the Pennsylvania Railroad, for instance, the Federal Company would elect the directors of that company and control its policy, just as the Pennsylvania Railroad itself at this moment appoints the directors and controls the policy of the Pennsylvania Company, the Pan-handle, and the scores of other corporations that nestle under the widespread Pennsylvania wings. The Board of Directors of each Federal Railroad Company would consist of nine, three appointed by the Federal Railroad Board hereafter mentioned and six selected by the stock-holders of the Federal Railroad Company, who would be required to be residents within the district.

Mr. Cook points out quite fairly that his plan can be introduced gradually. Not only can each district be taken in hand separately, but there is no need to acquire the majority of the stock of all the railroads in the district immediately. The control of the New Haven road, for instance, would practically mean control of New England. And control of the Pennsylvania Railroad and the New York Central would practically mean control of the whole of the Trunk Line Territory. Mr. Cook makes a startlingly strong point in favour of some change in the present system when he points out that, on the one hand, the Mississippi Valley contains half the States of the Union and is in both area and population more than half the country; while, on the other hand, out of 117 directors of the eight great systems connecting the Valley with the outside world, twenty-three are identified with the Mississippi Valley, while ninety-two are resident in the States bordering on the Atlantic seaboard. It may be fairly answered from a company point of view that the directors represent the owners of the railroad stock. But can one be surprised that this answer does not satisfy the inhabitants of the Valley? May it not well be that this absentee ownership, typified, often unjustly, to the ordinary plain citizen by the bogie of "Wall Street," is still, as it was in the days of the Grainger Laws, the root cause of the hostility of the West to the railroads?

Mr. Cook's proposed Federal Railroad Board would be not a company, but an organ of the Government. It would consist of six members, five appointed by the President of the United States with the approval of the Senate and the sixth, the Secretary of Railroads, a new member of the Cabinet. It would be apparently

in Mr. Cook's scheme the one regulating authority, superseding the Interstate Commerce Commission, for it would fix and determine all interstate railroad rates and service and approve all issues of stock and the proposed financial operations of every Federal Railroad Company.

Mr. Cook's scheme, novel and revolutionary though it be, certainly deserves respectful consideration. And it will doubtless receive it from the newly constituted Congressional Commission. Financially, it is sober and conservative; for there would be no need for any great sums of money, as presumably a very large number of shares of the existing railroads would be gladly surrendered to the Federal Companies in exchange for their own stock. And it is certainly arguable that the working out of the scheme might even show a financial surplus. Moreover, the principle of Government control by means of stock-holding was in practical effect in Mexico for a good many years, and looked like being quite a success till government in Mexico went to pieces. Certain criticisms seem obvious. Can forty-five directors *plus* six supervisors really direct 250,000 miles of railroad? Will not the various districts fight each other? Texas has notoriously enacted local protection by means of its Railroad Commission. And other States have done the same, to a less frequent extent. Might we not well see the Southern Federal Railroad Board, for instance, elected on a ticket of protection of Birmingham, Alabama, against the competition of Youngstown and Pittsburg? Most serious of all—and Mr. Cook has attempted to provide against the danger—is this: Is it to be hoped that the appointments for Federal Boards and Federal Directorate could be kept out of politics? And has any dispassionate outsider, however badly he may think of railroad men, ever rated the average American railway man, either in intellect or integrity, as low as the average American politician? Jay Gould was an exceptional phenomenon. He died very many years ago, and, as a journalist wrote next morning, "is still dead." But Tammany still lives and flourishes. And the methods and morals of Tammany are still not without frequent and successful imitators outside New York. Unless Mr. Cook felt sure that his scheme would keep the railroads out of politics, in the American sense, we feel sure that he himself would not be among its advocates. And as we do not ourselves feel sure, we fear that his remedy would be worse than the disease. Undoubtedly the disease is serious. Undoubtedly a remedy, and a drastic one, must be found. For the American people, who have for some years been busily

engaged in throttling their railroads, are already discovering that they have at the same time been throttling the prosperity of their country.

## II.—A Misunderstood Transaction.

A SOMEWHAT belated though remarkable pamphlet has recently been published in New York under the title of *The Chicago and Alton Case: A Misunderstood Transaction*. By George Kennan. Everyone has heard of American railroad financial scandals, among which the Alton Deal—often called “the Alton Steal”—has been pronounced to be one of the worst. It was apropos of this case that President Roosevelt denounced the late Mr. Harriman as “an undesirable citizen,” and to this case Professor Ripley has devoted many pages in his latest volume on *Railroads Finance and Organisation*. Mr. Kennan writes with studious moderation and gives chapter and verse for every statement he makes. But he meets the charges made by Professor Ripley with so emphatic a contradiction that he would seem not only to have vindicated the honour of Mr. Harriman, but laid upon Professor Ripley the obligation of defending his own accuracy and scientific impartiality. Professor Ripley has not minced his words:—

“Practically all the possible abuses and frauds . . . under the caption of stock watering are found combined in . . . the reorganisation of the Chicago and Alton Road by the late Mr. Harriman and his associates.”

Professor Ripley states that the operations of the Syndicate “were covered up,” “were never disclosed,” “were obscured in the public accounts.”

Simply not true, says Mr. Kennan. “All the operations, including the capitalisation of past betterments, the declaration of a 30 per cent. dividend, and the sale of the 3 per cent. bonds, were fully and accurately set forth in the listing application to the New York Stock Exchange, as well as in the leading railroad and financial publications.” And he gives the references in support of this statement.

Further, he says that though the transactions took place between 1898 and 1900 no criticism was apparently ever uttered till Mr. Harriman had the misfortune to incur the displeasure of President Roosevelt in a political matter seven years later.

Professor Ripley says that the Alton road prior to reorganisation was “doing a constantly expanding business.” The published

figures show that, in fact, the gross earnings had fallen pretty steadily from nearly \$9,000,000 in 1887 to \$6,286,000 in 1898.

Professor Ripley accuses Mr. Harriman of "prejudicing the interests of shippers by creating the need of high rates for services in order to support the fraudulent capitalisation." Without following Mr. Kennan in discussing the two questions whether the capitalisation was fraudulent, and whether capitalisation has any effect on rates, we may note that, in fact, the rates for service fell 25 per cent. in the eight years following Mr. Harriman's acquisition of the property.

Once more, Professor Ripley charges Mr. Harriman with "crippling" the Alton road "physically." According to Mr. Kennan, the fact is that he spent a total of \$22,327,000 for permanent betterments, a sum equivalent to about \$22,000 per mile. As a consequence of this expenditure the gross earnings of the "crippled" road rose from \$6,286,000 in 1898 to \$12,809,000 in 1907, and the net earnings from \$2,684,000 to \$4,415,000.

If the facts be as Professor Ripley has stated, then perhaps his language describing Mr. Harriman as a "conspirator" and his management as "unscrupulous," "piratical," "fraudulent," and "predatory" may not be too strong. But unless he can disprove the facts set forth by Mr. Kennan it would seem that Professor Ripley has done a grievous wrong to the memory of a man whose service to the science of railroading will hardly be reckoned by those who know what his work was as less than those rendered by George Stephenson himself.

### III.—*Railway Economics and Politics in South Africa.*

A MORE than usually outspoken "Memorandum on the Control and management of Railways and Harbours" has recently been presented to the South African Parliament by the Railway Board. The Memorandum, which is dated May 31st, the termination of the first quinquennial period of the Board's existence, seems only to have been printed in October last. It points out that prior to Union the railways in Cape Colony and Natal were managed by general managers under the direction of Cabinet Ministers, and that for a considerable time the necessity for some change in the management was recognised and formed the subject of inquiry by various Commissions and other authorities. In 1905 the Cape Parliament resolved that the Government "should consider the question of the advisability or otherwise of effecting

some change in the future management of railways and of providing some means of obtaining in future the impartial consideration of, and report upon, any proposed scheme of railway construction." A Commission was appointed thereupon, which reported unanimously on March 31st, 1907, that it was "impressed with the necessity of removing as far as possible the management of the railways from the influence of party politics."

Subsequently provision was made in the Act of Union for the appointment of a Board of Control to manage the railways and harbours, subject to the authority of the Governor-General-in-Council.

"The intention and terms of the Act appeared," says the Memorandum, "and still appear, to the Commissioners clear; but the first Minister of Railways and Chairman of the Railway Board under Union, who had always been accustomed to the Cape practice, did not regard with approval the method so provided for the control and management of the railways and harbours; and his successor has expressed himself in Parliament to the same effect. It need not, therefore, be matter for surprise or complaint that the Railway Board has not been able fully to accomplish what was expected from it by those who favoured its establishment, or would have accomplished had the Chairman been in full sympathy with the method of control and management provided."

After paying a compliment to the present Minister's capacity as an administrator and his ability as an exponent of his views, the Memorandum goes on to say that he is handicapped by existing conditions, and that no Minister, however hard working, can spare from his Cabinet and Parliamentary duties the time to manage the railways. Besides, "any Minister, however able and strong his character may be, is, under the system of party government, insensibly susceptible to party considerations and is in constant difficulties in giving impartial decisions." The Memorandum continues: "It is perhaps natural that men who have been accustomed to the methods in vogue when the railways were of limited extent should still desire to cling to the old system of control, but the consequences of doing so cannot but be unsatisfactory. . . . As the railways and their working were regarded as part and parcel of the system of party government, with the obvious advantage to the party in power, the reluctance of any Government to make a change is what might naturally be expected. Apart from the magnitude of the railways and the number of the railway servants employed, forces have of late years



come into prominence that make it increasingly urgent that the railways and harbours should be regarded and administered in the interests of the whole Union and not as an adjunct of the party that is in power."

In conclusion, the Board announce very emphatically their approval of the policy which they believe the Act of Union intended to be carried out, namely, that the Railway Board, which consists of three independent members and the Minister Chairman, should be the really controlling authority; that the General Manager and his staff should be under their control, and not, as he is in fact, merely the servant of the Minister; and that the Board should report direct to Parliament, which should establish a permanent Railway Committee on the same lines as the existing Public Accounts Committee.

This official Memorandum, together with other previous utterances of South African railway authorities, once more goes to show, alongside of the experience of Australia, New Zealand, Canada, Belgium, France, and Italy, that no democratically governed State in which the railways are public property has ever yet succeeded in keeping railway management out of politics.

#### IV.—*Chinese Railway Accounts.*

THE modernisation of China goes steadily forward, and the latest evidence of it is the issue by the Ministry of Communications at Peking of a new set of forms of accounts and statistics with instructions that they shall be applied forthwith to all the railways of the country.

Railways in China have been constructed sometimes by the Government itself, but more frequently by concessionaires. Some of these concessionaires were English, some French, some Belgian, and, so far as they produced any comprehensive accounts and statistics at all, they naturally produced them in the form to which they had been accustomed at home. The new series aims at accuracy and completeness, and also especially at uniformity. They have been drawn up by a Chinese Commission, whose Acting Chairman was Dr. Ching Chun Wang, a graduate of Harvard, advised by representatives of the concessionaire railways, with, as adviser in chief, Dr. Henry C. Adams, who for many years was statistician to the Interstate Commerce Commission, and went to China at the special invitation of the Government.

In the main, as might naturally be expected, the accounts and statistics are constructed on American lines. Not a few traces are to be found, however, of English influence. For instance, full details are called for of "new lines and extensions during the year"; "operating revenues" have no corresponding heading, "operating expenses," these latter being broken up between "traffic expenses," according to the English understanding of the word, and "running expenses." Again, the valuable English separation of "wages" and "materials" is made, though not perhaps in as many cases as it might be. It need hardly be said that it is found both possible and desirable in China, though not in England, to produce ton-mile statistics. But it is difficult to understand why the practically meaningless figures, "tons per mile of line" and "passengers per mile of line," are given in place of "ton-miles per mile of line" and "passenger-miles per mile of line," which latter figures are most valuable as evidence not only of work done, but of the density of the traffic on any particular system.

It should be added that the Chinese Commission has had the wisdom to follow the example of the Interstate Commerce Commission of America and issue very precise instructions as to what entries are to be made under different heads, with a further instruction that "In case there should arise any doubt as to the interpretation of any heads or items inquiry should be addressed to this Department so that all questions may be answered in a uniform manner." Our English Board of Trade has refused to adopt a similar procedure. It is understood that a Committee of Accountants has been appointed by the railway companies themselves to promote uniformity. But the action of such a Committee is, in the first place, entirely outside the knowledge of Parliament, the Board of Trade, and the shareholders; and, in the second place, has no binding authority upon any individual railway. We may assume, therefore, that before many years are out matters will have reverted here to the old conditions, when a railway officer could assert truthfully that the heads of account were so many "dirty linen baskets" into which the various items were quite casually pitched.

One point more should be noticed. The schedules and instructions are issued both in English and in Chinese. But the English, and not the Chinese, is to be taken as the authoritative text till such time as Chinese equivalents for the various technical terms employed have been decided on and adopted.

W. M. ACWORTH

## NOTES AND MEMORANDA

### THE INDIAN PRICES INQUIRY.

IN the JOURNAL for December, 1915, Professor Williams criticises the base period, 1890-4, adopted in this inquiry by Mr. Datta and his colleagues. The ground of the criticism is "that the Commissioners have taken a period of good harvests and consequent low price of food-grains as the base of their comparisons" (p. 615).

No direct evidence is offered of this statement that prices were low. It is said that the misleading nature of a comparison between 1890-4 and 1908-12 "becomes apparent when the base 1890-4 is moved to later quinquenniums" (p. 613). This statement overlooks the fact that Mr. Datta was appointed by the Government of India in 1910 to answer specific questions regarding the rise in prices "during the past fifteen years" (p. 611), that is between 1894 and 1909; moving the basis to a later quinquennium will not answer those questions, though it will answer others. The first point in the inquiry was clearly to determine the level of prices prevailing about 1894. If a quinquennium is a fair basis for this, the choice lay between 1890-4, the period ending in 1894, and 1892-6, the period with 1894 in the middle; this question need not be argued, because Professor Williams shows in the table on p. 614 that the two periods give about the same results (a general average rise of 137 in the first and 134 in the second, and with Indian data a difference of three points is not significant). Professor Williams does not object that a quinquennium is in itself too short a period, or it might be shown that a substantially longer period would introduce great difficulties: the period actually taken may, or may not, be one of low prices, but it was correctly chosen for the purposes of the inquiry.

But I cannot agree with Professor Williams that the period was one of low prices of food-grains. It looks so, if you refer only to the figures of the years which follow, but in fact it was a period to which people in India still look back as representing the fair level of prices at the end of the nineteenth century before the

cataclysmic disturbances of the famines of 1897 and 1900. To see the period in its proper perspective one must look back as well as forward. I have no general tables of prices at hand for the period before 1890, but the following figures for the prices of food-grains in a rural district of Oudh (which I had occasion to compile twenty years ago) give a general idea of their course in Northern India; they are calculated to the base period 1861-5, a selection which will be understood by students of Indian history, and, in Indian fashion, they are inverted, showing the quantity of grain purchasable for a fixed sum, not the amount of money required to purchase a fixed quantity of grain.

1861-5 (Base period)...	100	1881-85 ... ..	92
1871-5 ... ..	88	1886-90 ... ..	74
1876-80 ... ..	85	1891-4 (four years) ... ..	72

In 1895 we thought ourselves on the crest of a wave of high prices, and now Mr. Williams tells us that our prices were low; in 1895 we were considering whether the land revenue could safely be assessed on rents resulting from these abnormally high prices, or whether the assessments should be safeguarded against a probable fall.

The fact is, I think, that once prices of grain and pulse (which is what people in India mean by prices) had settled after the Mutiny they did not rise greatly until about 1885 (the figures for 1876-80 given above include the temporary effects of the famine of 1877). After 1885 there was a somewhat abrupt rise, and the higher level then reached lasted till about 1896; prices returned approximately to this level when the disturbing effects of the famines of 1897 and 1900 had passed away; then came a further rise, and people in India pressed the Government to find out its cause; they wanted to know why prices showed no signs of returning to the level to which they had become accustomed. Hence Mr. Datta's inquiry. Professor Williams objects that this level was unduly low, and I have shown that this was not the opinion accepted at the time, and that even if it were the point is irrelevant to the inquiry with which Mr. Datta and his colleagues were entrusted.

May I add a few words regarding the inclusion of famine-years in periods selected for comparison? Professor Williams includes such years without remark; his period of 1890-99 includes 1897, his 1899-03 includes 1900, and his 1908-12 includes 1908. The usual practice in India is to exclude from selected periods those years which were characterised by the deep and wide economic disturbance which is quite inappropriately called a famine; the disturbance, though deep and wide, does not last under modern

conditions, and it is treated as something abnormal, which is best disregarded in any endeavour to obtain a connected view of gradual economic changes. Professor Williams in effect treats famines as "normal." This course would perhaps be justifiable if they recurred with approximately equal severity at approximately equal intervals, but these conditions have not been fulfilled within the modern statistical period; in treating of India as a whole the years which are apt to mislead are 1877-8, 1896-7, 1899-1900, and 1907-8, while in dealing with limited areas a watch has to be kept for local famines in addition.

W. H. MORELAND

THE REPORT OF THE U.S. BUREAU OF LABOUR UPON PRICES IN  
BELLIGERENT AND NEUTRAL COUNTRIES DURING THE EARLY  
MONTHS OF WAR.

IN May of last year the Department of Labour of the United States Government issued a monograph upon "Foreign Food Prices as Affected by the War."<sup>1</sup> It is based on American Consular Reports from seventeen European countries, neutrals as well as belligerents, including, of course, England. Each Consul furnishes comparative tables of the prices prevailing immediately before hostilities broke out, and of those obtaining after it had continued three months. The dates given are generally July and the end of October or the first half of November. The assassination of the Austrian Crown Prince having taken place about mid-summer, the war had already projected its shadow at the earlier date, and therefore may even then have had an effect upon markets. In a few instances the comparison is made between the autumns of 1913 and 1914, and the further rise taking place between November, 1914, and February, 1915, is also shown.

Except in one or two cases, no estimate of the general advance of price throughout the entire area of a country is hazarded, the tables almost invariably relating to towns. Even where these are of the same nationality, the local rates of increase differ so widely that any attempt to arrive at a just estimate for the whole country would have been useless, since the results obtained would have been untrustworthy, the more so as rural districts are left out of count altogether. There is also a lack of uniformity in the selection of articles dealt with. It is not easy to perceive the

<sup>1</sup> *Bulletin of the United States Bureau of Labour Statistics*, No. 170, Washington. May 1915. Pp. 129 Ditto. No. 156 Washington, March 1915. Pp. 397.

cause why particulars relating to capital cities should be more meagre than those concerning other towns, yet so it is. The fullest information comes from Great Britain. The prices shown refer principally to articles of food. Coal and petroleum are almost the sole exceptions.

From these lists some ten articles have been picked out for the present purpose as being common to nearly all of them. These are bread, flour, sugar, coffee (in England and Russia tea), cheese, eggs, potatoes, beef, mutton, and bacon or pork. It has been possible to group together the towns as to which the completest details are given under the two headings of belligerents and neutrals. These towns are Manchester, Bradford, Leeds, Redditch, Marseilles, Limoges, Berlin, Hamburg, Vienna, Carlsbad, Petrograd, Moscow, Warsaw, Antwerp, and Brussels among belligerents, and Rome, Venice, Naples, Amsterdam, Basle, Copenhagen, Bergen, Malaga, and Valencia among neutrals. At the date of writing the Report, Italy, it will be remembered, was still neutral. The percentage rise of price for each article in the several towns has been added up, and the total thus obtained, after deducting the percentage of decrease occurring here and there, has been divided by the number of towns under observation.

It seems hopeless to conjecture how far the quotient thus obtained corresponds to that which would have been derived from averaging all the different percentage rates prevailing in all parts of each country concerned after weighting them according to the proportion of population affected by each percentage, since the material for any such computation is entirely wanting. At the same time, the present estimate has a certain value, as indicating the extent to which the inconveniences arising from the enhanced cost of living occasioned by the war are common to neutrals and belligerents alike. The neutral countries referred to in the above totals are exclusively European. The percentual variations in price which have taken place in a few leading articles in the United States themselves are shown separately. They are calculated from another publication of the United States Bureau of Labour Statistics entitled, "Retail Prices, 1907 to December, 1914," and refer to the general trend of prices throughout the States collectively. Lastly, in order to demonstrate the wide range of variation in prices even among towns in the same country, the percentages given in the Consular Reports from several English towns are exhibited.

PERCENTUAL INCREASE IN PRICES DURING THE FIRST THREE  
MONTHS OF THE WAR.

Countries and Towns	Bread.	Flour.	Sugar	Coffee (Tea in England and Russia).	Cheese.	Eggs.	Potatoes.	Beef.	Mutton.	b. Bacon. p. Pork.
Belligerents (in Europe).....	15.5	46.6	33.4	11.5	7.0	56.8	22.6	10.8	12.0	b. 20.5 p. 14.7
Neutrals (in Europe).....	21.1	30.0	9.4	5.7	6.0	75.7	47.0	5.28	6.6	b. & p. 4.6
United States ...	—	14.5*	16.0	—	—	58.0	-46.0†	-5.0†	—	b. 1.3 p. -13.0†
England ...	29.0	33.0	70.0	17.0	16.0	46.0	-14.0†	11.0	8.0	b. 12.0
Manchester ...	9.0	—	50.0	nil	5.0	51.0	-25.0†	4.0	8.0	b. 6.0
Leeds ...	—	15.0	44.0	14.0	17.0	50.0	—	10.0	10.0	b. 26.0
Bradford ...	—	27.0	87.0	—	33.0	—	—	—	—	—
Redditch ...	17.0	33.0	50.0	nil	11.0	80.0	nil	nil	nil	b. 9.0

\* Wheat flour.

† Decrease.

It will at once be noticed that, while with the majority of articles the to-be-expected has happened, and prices have risen higher in belligerent than in neutral countries, bread (but not flour), eggs, and potatoes have mounted higher in neutral than in belligerent countries. Bread, again, has kept within more reasonable limits than flour.

The Report attempts no interpretation of these phenomena, and it is difficult to suggest any further than that the occurrence of harvest would tend to keep down the price of bread and potatoes, and that it would be easier to corner the supply of flour (being in fewer hands) than of bread. Of all the countries, whether belligerent or neutral, France appears to have suffered the least from an inflation of prices. Her system of a peasant proprietary eliminates one factor in the cost of agricultural produce, import duties on leading foodstuffs have been remitted, and maximum prices for necessities have generally been fixed by the municipalities. Of course, this remark applies only to the portions of French territory exempt from German occupation. In sugar the highest rise occurs in England and at Brussels; in bread, flour, and eggs in Warsaw, Carlsbad, and Naples; in potatoes in the two latter towns and Marseilles; and in meat and bacon at Brussels, Warsaw, and some German towns.

How vast is the range in local variations may be inferred from a comparison of prices in October, 1913, and twelve months later, relating to Berlin and twenty-three other leading German towns, furnished by the United States Ambassador at Berlin. According to this, the rise in price varies for wheat and rye flour between 10 and 50 per cent., for sugar between 7 and 30 per cent., for coffee between 5 and 50 per cent., for eggs between

8 and 94 per cent., for potatoes between 9 and 114 per cent., for coal between 6 and 50 per cent., for beef between 8 and 28 per cent., and for pork between 12 and 40 per cent. Bacon is not quoted. Or take the English towns. It is difficult to discover the cause for differences so wide between towns so similar in situation, industry, and population as Leeds and Bradford. The cause of difference between them and Manchester is, on the contrary, obvious, for the figures for the latter city are taken exclusively from the price list of the local Co-operative Society. This suggests the question whether, then, was the much greater rise in the general market unavoidable? and the further question whether the specialists consulted by the Government with reference to maximum prices included representatives from the Co-operative Societies?

In a few instances an estimate of the total rise in prices for all articles is stated. For England this is 13 per cent.; for Switzerland, 33 per cent.; for Berlin, 15 per cent., and for Marseilles, 20 per cent.

The rise between July and November took place chiefly during the semi-panic of the first week or two of the war. In the reaction which followed, prices rarely fell to the July level, though even this happened in the case of potatoes in England and the United States, and of other articles as well at Petrograd. In some instances, the abolition of import duties or a collapse in the demand for exported articles, as in France, or in the falling off in tourist traffic, as in Norway and Venice, by lowering competition, has kept prices down. In Venice the *Commissione di Vigilanza per la Regolarita del Mercato dei generi di Prima Necessita* is stated to have done good work in maintaining prices both moderate and uniform. With this object in view it has succeeded in inducing the Government to prohibit the export of eggs and potatoes.

The compiler of the Report endorses the prevalent view that the war has inflated the prices of necessities more than those of luxuries. The lists printed in the Report bear out this view to a limited extent, since inferior grades have frequently gone up more than superior grades of the same article, and, again, rye bread and flour have risen more than wheaten. So, too, in England cold storage meat has risen in price more than prime native meat. But instances may be quoted where the reverse has been the case. And, again, in some localities it has been found that, where Government has fixed a maximum, either good qualities sell above that maximum or else the quality is reduced.



For a few towns and countries the Report carries its comparison up to February, 1915. Compared with the period immediately before the war, prices generally in England are said to have risen 13 per cent. in large towns and 12 per cent. elsewhere by November, 1914, and 23 per cent. and 20 per cent. respectively by February, 1915. This estimate is quoted from our own Board of Trade *Labour Gazette*. But as between February, 1914, and February, 1915, the rise is only 19 and 16 per cent. respectively, because the value of dairy produce had fallen considerably in the interval between February and July, 1914. The Dutch Statistical Bureau computes the price of twenty-seven articles of food and household articles to have mounted 6 per cent. by November and 11 per cent. by February. In Vienna in the latter month the rise in mixed wheaten and black bread had reached 75 per cent.; of flour and sugar, about 100 per cent.; eggs, 129 per cent.; and potatoes, about 67 per cent. The average prices in fifty Prussian towns are stated by the Berlin Bureau of Statistics to have risen 43 per cent. for wheaten flour, 70 per cent. for rye flour, 92 per cent. for rice, 9 per cent. for salt and sugar, 6 per cent. for coffee, 11 per cent. for anthracite, 6 per cent. for petroleum, and 7 per cent. for milk during the twelve months ending February, 1915. An American pacifist delegate touring in Europe last May considered the Viennese much more "hard up" than either Berliners or the citizens of Budapest.

The actual prices of some of the articles in Prussian towns were as follows:—Eggs, each, 3d.; loaf sugar per lb., 3d.; rice, 5d.; butter, 1s. 5½d.; and bacon (at Berlin in October), 11½d. Compare these with the Manchester Co-operative prices early in November for the same articles respectively:—2d., 4d., 3d. to 4d., 1s. 5d. to 1s. 6d., 11d. to 1s. 1d., and the difference will be found to be not excessive nor always to Germany's disadvantage, assuming the accuracy of her statistics. Wheat flour in German towns was 3d. per lb. in February against 2½d. in England in January.

The concluding statement in the Report that "the hardship caused by the increased cost of living has in many cases been aggravated by a decrease of purchasing power among the working classes" cannot be held to apply to our own country in view of the enormous wages now earned, however true it may be of some other lands.

C. H. D'E. LEPPINGTON

## OFFICIAL REPORTS.

*Report of a Sub-committee of the Advisory Committee to the Board of Trade on Commercial Intelligence with respect to measures for securing the position, after the War, of certain branches of British Industry.* [Cd. 8181.] 1916. Price 2½d.  
Reviewed above.

---

*Statement of Measures adopted to Intercept the Sea-borne Commerce of Germany.* [Cd. 8145.] 1915. Price 1d.

---

*Royal Commission on the Natural Resources, Trade, and Legislation of certain portions of H.M. Dominions. Memorandum on the Food and Raw Material Requirements of the United Kingdom. Memorandum and Tables as to the Trade Statistics and Trade of the Self-Governing Dominions.* [Cd. 8123 and 8156.] 1915. Price 1s. and 2s.

---

*Report of Committee appointed to inquire into the circumstances connected with the alleged recent increases in the rental of small dwelling-houses in Industrial Districts in Scotland. Evidence and Appendices.* [Cd. 8111 and 8154.] 1915. Price 1d. and 1s.

---

A REPORT by Lord Hunter and Professor W. R. Scott. "At Whitsunday, 1914, the number of vacant houses in Glasgow was 13,178, a percentage of 5·69. By Whitsunday, 1915, the number had fallen to 8,998, a percentage of 3·88." In October, 1915, the number of houses in Glasgow available for munition workers was estimated at 2,851. Some measure of the influx of workers is obtained from the numbers employed by Messrs. Beardmore:—July, 1914, 11,194; October, 1915, 16,542; eventually, 23,320. "It is clear that the position is one in which the demand for workmen's houses is growing rapidly, while circumstances are held not to warrant a supply being produced commercially under war conditions to meet the demand."

---

*Interim Report on an Investigation of Industrial Fatigue by Psychological Methods, by Professor A. F. Stanley Kent.* [Cd. 8056.] 1915. Price 4½d.

---

*Health of Munition Workers Committee:—*

*Memorandum No. 1. Report on Sunday Labour.* [Cd. 8132.] 1915. Price 1d.

No. 101.—VOL. XXVI.

*Memorandum No. 2. Welfare Supervision.* [Cd. 8151.] 1915.  
Price 1d.

*Memorandum No. 3. Industrial Canteens.* [Cd. 8133.] 1915.  
Price 1d.

*Clyde Munition Workers. Report of Lord Balfour of Burleigh  
and Mr. Lynden Macassey.* [Cd. 8136.] 1915. Price 1d.

*Return of Cases heard before Munition Tribunals from their  
inception up to November 27th, 1915.* [Cd. 8143.] 1915.  
Price 1d.

To be reviewed.

*Report of the Ontario Commission on Unemployment.* Toronto,  
1916.

AN exhaustive study of local conditions. Part I., Report.  
Part II., Data regarding Unemployment in Ontario. Part III.,  
Studies of Representative Women's Employments. Part IV.,  
Evidence. To be reviewed.

#### THE RETIREMENT OF PROF. WAGNER, OF BERLIN.

ON January 26th, 1916, Adolf Wagner delivered his last lecture and retired from the chair he had occupied for just over forty-six years. For two generations he taught economics at Berlin, and crowds of Prussian civil servants and administrators, numerous lawyers, and not a few of the more intelligent military leaders who are now running the German Government, came under his influence and had their economic outlook shaped by his teaching. We in England have lately heard much of Treitschke as an academic force in Berlin which moulded latter-day Germany. It is not too much to say that Adolf Wagner was just such another. His class-rooms were thronged, more especially his "public" lectures, for which the large hall at Berlin hardly sufficed to contain all those who came to learn. I attended his courses in 1904-5, and well do I recall the appearance of the Aula during his famous lectures on Socialism. Every one of the seats was filled, crowds lined the walls, and even the steps had their occupants.

It is a little difficult to define wherein lay Wagner's influence. One must have heard him to understand it. But above all the student was struck by his insistence that ethical standards must of necessity be applied to economic phenomena. That appeared to be a cardinal doctrine with him, and will explain why he

became a "Socialist of the Chair." He saw the good aspects of private enterprise; he admitted the validity of, and accepted many of the theorems propounded by, the Marxians. His position was somewhere between the two. He held that private property was justified only up to a certain point; that the economic oppression of the weak by the strong was wrong. Accordingly he advocated socialisation by the State. Lands and forests should be nationalised; so should the means of transport by land and water; so, too, should banking and insurance work. State monopolies of certain articles of universal demand, such as salt and coal, were likewise to be advocated. In a word, Wagner was a State Socialist; and the older he became the more convinced a State Socialist he grew—to the grief of the Conservative party, one of whose pillars he had been in the 'eighties.

To the English student much of what he pleaded for sounded like Ruskin—but it was a gruffer, harsher tone that was heard. Wagner's raucous voice helped to intensify this feeling; so, too, did his outward appearance, with his two sets of spectacles, the one worn over the other. In this Wagner was so different from his equally famous colleague, Schmoller—Schmoller the debonair, the courtly member of the Prussian Upper House, with his appealing smile and his slow phrasing. Wagner was like a torrent rushing down a stream. But there was feeling behind the rugged exterior. When he spoke of Germany's future, when he of the old world bade his pupils who were the new generation take heart for Germany's development, when he comforted them for the successes of Social Democracy, the tears trickled down his cheeks.

Of the English classical economists he always held a high opinion. Mill more particularly received his warmest praise. Next to Rodbertus and Schäffle, to whom he confessed he owed most, he placed John Stuart Mill and Adam Smith ("Smis" he always called him). "Gentlemen," he used to say, in and out of season, "you must learn English in order to read 'Smis' in the original." It was probably due to the influence of the British masters that he always spoke of his subject as "Politische Ökonomie" and did not use the term generally current in Germany, "Nationalökonomie."

But if he admired the English classical economists, he hardly loved England. If the truth must be told, Wagner, like Treitschke, was a Prussian Chauvinist, and British Imperialism, no less than French nationalism, was an abhorrence to his soul. "Last time it was five milliards, next time it will be twenty-five,"

he remarked at one of his lectures, speaking of the French indemnity of 1871. Like Treitschke, he worshipped the State, and this, it must be confessed, vitiated his undoubted inclination to introduce ethical standards into economic considerations. Did he not always lay stress on the "charitative" forces in economics? Readers will find a full treatment of the idea in his "Lehrbuch der Politischen Ökonomie" (first edition issued in 1870). Of his other works it is unnecessary to speak here; they are well known to economists and students of banking and finance. His work on "Public Finance" is perhaps the fullest treatment of the subject, and stands as a monument to Wagner's learning. After all, whatever may be thought of him as a politician, there is no doubt that as a scholar he will rank high. His jingoism, his conservatism, his anti-semitism will be soon forgotten; but Wagner the economist will long maintain his dominion in the world of learning.

Wagner was born at Erlangen on March 25th, 1835; he taught in Vienna, Dorpat, and Freiburg before he came to Berlin in 1870; and the close of a teaching career of fifty-eight years, forty-six of which were at one university, deserves to be noted in the ECONOMIC JOURNAL.

M. E.

#### CURRENT TOPICS.

THE following have been elected to membership of the Royal Economic Society :—

Allen, A. W.	MacGibbon, D. A.
Anderson, F.	McLeish, J.
Bowie, J. A.	Mindel, A. S.
Bruins, Prof. G. W. J.	Pennock, E. M.
Copland, D. B.	Ramasesh, M.
Crawford, J.	Rawson, S. W.
Davies, Emil.	Registrar, Panjab University.
Department of Labour, Canada.	Showell, P. G.
Fraser, D. D.	Toulmin, H. A.
Garton, W. W.	Westerman, V. L.
Ghosh, S. K.	Whyte, J. A.
Gross, A.	Williams, Prof. T. T.
Kumar, Prof. H. C. D.	

THE following libraries have been admitted to subscribing membership :—

Adam Smith Class Library, Glasgow

Department of Statistics, India.

Handelshögskolans Bibliotek, Sweden.

MR. P. MUKHERJI, formerly Assistant to the Minto Professor of Economics in the University of Calcutta, has been appointed an Additional Professor of Political Economy and Political Philosophy in the Presidency College, Calcutta.

DR. J. W. McILRAITH contributes the following notes on wholesale prices in New Zealand :—

	Foods.	Other Commodities. (1890-1899=100)	All Commodities.
August, 1914	115	122	119
Year 1914	118	126	123
Year 1915	146	149	148
Dec. 1915	149	160	156

A rise of 30 per cent. in each group.

	Farm produce.	Other Commodities.
August, 1914	140	109
1914	144	112
1915	193	125
Dec. 1915	203	132

A rise of 45 per cent. in farm products, but of only 21 per cent. in others.

	Animal products only.	Other farm products.
August, 1914	161	113
1914	163	120
1915	187	200
Dec. 1915	195	213

"Just before the war the price level was falling. Despite the war—and yet because of the war—a period of extraordinary prosperity has ensued, modified to some extent by a semi-drought and a partial lack of shipping. A rise in price of 45 per cent. in the produce New Zealand sells is only slightly offset by a rise of 21 per cent. in the produce she buys."

THE first number of the *Indian Journal of Economics*, to be issued quarterly by the Department of Economics in the Univer-

sity of Allahabad, under the editorship of Professor H. Stanley Jevons, appeared in January. Its principal contents are noted below. But members of the Royal Economic Society will wish that more particular notice should be taken of the initiation of so admirable a venture. The journal is primarily intended to provide a medium for the publication of articles on Indian Economics by writers of academic standing or authoritative position. It will enable authors cognisant of Indian affairs to make or criticise proposals for legislative or social reform. Every work on economics henceforth published in India will be critically noticed. The general appearance and arrangement of the journal are on the usual model of learned quarterlies. All who are interested in the economics and the progress of India will warmly welcome its appearance, and are invited to assist in establishing it on a stable basis by addressing an annual subscription of sixteen shillings to the Head Clerk, Economics Department, The University, Allahabad, India.

## RECENT PERIODICALS AND NEW BOOKS.

### *The Quarterly Review.*

JANUARY, 1916. *War Relief and War Service.* MILLICENT FAWCETT. The efficient action of various "War Help" Societies—of which a catalogue is given by Helen D. Smith (Murray)—including the administration of the National Relief Fund, is exhibited. Societies which were already organised, with machinery all in readiness, such as the Young Men's Christian Association and the National Union of Women Suffrage Societies, were particularly helpful. A "soul of goodness" will have been extracted from the evils of war if there are established better relations between capital and industry, and the admission of women into professional and industrial occupations for which they are proving their capacity.

### *Edinburgh Review.*

JANUARY, 1916. *The Mobilisation of Industry for War.* A. SHADWELL. The Ministry of Munitions inaugurated an efficient organisation for the manufacture of munitions; the demand for which was unprecedented owing to the large proportion of the population armed, the rapidity with which shells and other war materials are used up, and the unprepared condition of the industries producing requisites for the Army.

### *The Contemporary Review.*

DECEMBER, 1915. *Sources and Methods of Paying for the War.* PROF. A. C. PIGOU. War-costs being measured by the services which citizens employed in war *would have* rendered but for the war, several popular misconceptions are rectified. The sources of payment are (a) the future—trenching upon capital, actual or potential; (b) the present—producing more or consuming less. Economy in imported goods is not *much* more advantageous than economy in home-made goods. By economising in home-made goods we can create so much new capital goods in England. The real advantage—modifying the rate of international exchange in our favour—is small. The value of any economy for war purposes is not to be measured by the value of the peace services dispensed with—*e.g.*, those of highly specialised female singers. The methods of payment are foreign loan, taxation, internal loan of "existing money," and currency inflation, whether produced by the creation of abnormal bank credits or otherwise. The distinction between borrowing and taxing is not coincident with that between future and present sources. Taxes may take funds which would have been invested



productively; loans may consist of funds which would have been consumed unproductively. But loans are more largely subscribed to by the rich; and the rich are more apt to capitalise than the poor. *Prima facie*, then, the methods of inflation, taxation, and loan form a scale of diminishing share of burden on the future, increasing share on the present. But by seriously reducing the consumption of the poor personal capital is reduced. There is thus an argument in favour of loans against taxes on the poor and inflation (which falls heavily on the poor)—but not against taxes on the rich. *The Problem of Economy*. POLITES. Let us not curtail our spiritual pleasures—munitions of the soul. Salvation will come, not by saving alone, but also by increased production. "When we produce we are in the conquering vein." *Women's Industry during and after the War*. MISS N: ADLER, L.C.C.

### *The Nineteenth Century.*

JANUARY, 1916. *Death Duties and Income Tax*. HAROLD HOPGOOD. It is proposed that all estates should pay up to the various limits the same rates of duty, and that only the excess above those limits should be taxed at the higher rates. A similar proposal is made as to income tax, and that only *earned* income should be entitled to the benefit of the lower rates. Some other suggestions as to both taxes deserve consideration.

### *Fortnightly Review.*

JANUARY, 1916. J. A. R. MARRIOTT. A glance at the things demanded for the successful prosecution of war—including a modicum of entertainment necessary for tired workers—is followed by a survey of supply, showing the parts played by organisation and labour in providing our materials of war.

### *The Round Table.*

MARCH, 1916. The editor continues his instructive discussion of war economies. New ground is broken in an article on women in industry, dwelling on the anomaly of two classes of workers—some five million women and two and a half times that number of men—working side by side at different rates of remuneration.

### *Board of Trade Labour Gazette.*

DECEMBER, 1915–FEBRUARY, 1916. These numbers, like those preceding, publish statistics of the retail prices of food in the United Kingdom and foreign countries compared with earlier periods. The last published statistics, FEBRUARY, 1915, show a rise of average prices, weighted according to working-class expenditure, in the United Kingdom of 47 per cent. comparatively with July, 1914. In Berlin the rise of food prices has been 83 per cent. Also many of the articles quoted are only purchaseable in limited quantities. In Vienna the rise has been 113 per cent. The *Gazette* continues to present lucid abstracts of current reports relating to the interests of labour; for instance, the numerous memoranda issued by the Health of Munition Workers' Committee.

*Bankers' Magazine.*

DECEMBER, 1915. *The Excess Profits Tax*. A. H. GIBSON. Has the yield been greatly underestimated?

JANUARY, 1916. *War Finance*. A. H. GIBSON. A critical analysis of the methods by which the war has been hitherto financed leads up to suggestions for the future. *War and Finance*. Address by Lord Inchcape to the Bankers' Institute.

FEBRUARY, 1916. *Probable Effects of the War on London's Position as a Free Gold Centre*. H. V. BURRELL. *A Year of the New American Federal Reserve System*. A. D. NOYES. The new facilities have scarcely been utilised hitherto. *London Bankers' Clearings in 1915*.

MARCH, 1916. \* *Bankers on the Situation*. Speeches at the annual meetings. *South African Finance and Banking, 1915*. D. P. MORGAN. *An Index Number for Stock Exchange Securities*. R. W. WESTERN. Based on the valuation of Stock Exchange securities which has appeared monthly in the *Bankers' Magazine* or in a predecessor for the past thirty-one years:—

1885 ... 93	1900 ... 104	1913 ... 90
1890 ... 100	1905 ... 103	1914 ... 86
1895 ... 103	1910 ... 96	1915 ... 78

*Statistical Journal.*

JANUARY, 1916. *Lord Welby: an Appreciation*. SIR ALGERNON WEST. *Human Capital and the Cost of the War*. HAROLD BOAG. The opinions of leading economists are cited.

*Indian Journal of Economics.*

JANUARY, 1916. *Agricultural Banks in India*. D. E. WACHA. *The Indian Cotton Trade*. J. A. TODD. *The Ain-i-Akbari, a Base-line for the Economic History of India*. W. H. MORELAND. *Indian Factory Legislation*. S. H. FREMANTLE. *The Teaching of Economics*. H. S. JEVONS.

*Quarterly Journal of Economics (Boston).*

NOVEMBER, 1915. *The Progress of Pecuniary Valuation*. CHARLES H. COWLEY. *Workmen's Compensation in the United States*. WILLARD C. FISHER.

*French Finance during the Great War*. RAPHAEL GEORGE LÉVY. The gold in the Bank of France has been increased by afflux from private hoards to some 4½ million francs (£180,000,000) from 4 million. It has become possible to double the note circulation. Meanwhile the deposits of the Bank have nearly trebled; while the silver held by the Bank has decreased from about 700 million francs to half that sum. The high level of exchange with America—aggravated by the paucity of travellers in France—is temporary. To meet the expenses of some 1,870 million francs (£75,000,000) per month the shrunken ordinary receipts had to be supplemented by borrowing, of which details up to, not including, the consolidating loan are given. To meet the interest of heavy loans there must be an increase of existing

taxes. Among other suggestions is to give up to private companies railroads at present worked by State officials, and to levy a tax on internal navigation hitherto free. *Price Maintenance in the Boot Trade.* H. R. TOSDAL. *The Californian Casual.* C. H. PARKER. *Infant Mortality.* H. H. HIBBS. *Social Insurance.* R. M. WOODBURY.

*Journal of Political Economy* (Chicago).

DECEMBER, 1915. *The Panama Canal and Transcontinental Railroad Rates.* STUART DAGGETT. *A Setback for the Waterways Movement.* H. G. MOULTON. *Reform of Forest Taxation.* W. COMPTON.

JANUARY, 1916. *Probable Financial and Industrial Effects after the War.* T. E. BURTON. The writer anticipates a desire on the part of returned soldiers to "leave the charnel-house of Europe and come to America." American capital will be in demand. The centre of the world's finance may shift from the banks of the Thames to those of the Hudson. "In the future we must be leaders in the world's civilisation"; a part not played by the Europeans who talk about boycotting the goods of the enemy after the war. *The Trade in War Materials.* S. MATTHEWS. The immense manufacture of war material in America, the increase of Government activity in Europe, and other aspects of the trade suggest serious questions. *Dislocations in the Foreign Trade of the United States resulting from the European War.* L. C. SORRELL. The considerable changes in the volume of the total trade and of trade with specified countries (e.g., the exports to Great Britain in the fiscal year ending June, 1915, exceed the preceding year by more than 50 per cent.); changes in the volume of trade in specified commodities and with specified countries: these and other changes are exhibited with the aid of tables and diagrams.

*The American Economic Review* (Boston).

DECEMBER, 1915. *The Expansion of Europe in Population.* W. F. WILLCOX. The addition of 650,000,000 to the world's population—now about one billion and two-thirds—is the best measure and the best justification of the expansion of Europe. *Third Factor in Variation of Productivity.* G. P. WATKINS. The "load factor"—a term suggested by the supply of electricity—forms a third to the "proportionality" and the density factor. *Economic Aspects of Japanese Immigration.* H. A. MILLIS. A large immigration of Japanese labour, both cheap and well-organised, would affect economic standards more than the incoming of Europeans. *Agricultural Credit Legislation.* G. E. PUTNAM.

*Monthly Review of the U. S. Bureau of Labour Statistics.*

This review, replacing the bi-monthly bulletin discontinued in 1912, will publish results of original investigations, legislation by States or Congress, and other matters bearing on the interests of labour. E.g., the third number, SEPTEMBER, 1915, summarises reports on the condition of women in industry and

several States, and exhibits changes in retail prices of food in different countries, a subject continued in subsequent numbers. Other publications of the Bureau are:—

Effect of Minimum Wage Determinations in Oregon (July, 1915). Wages and Hours of Labor in the Hosiery and Underwear Industry (August). Wages and Hours of Labor in the Boot and Shoe Industry, 1909 to 1914 (August). Industrial Poisons used in the Rubber Industry (October).

*Annals of American Academy* (Philadelphia).

NOVEMBER, 1915. This number is devoted to War Budgets.

• *L'Égypte Contemporaine* (Cairo).

JANUARY, 1916. *La Guerre et ses conséquences économiques pour l'Égypte*. A. FID. *Pour la répression de l'usure: Notes sur la loi espagnole en vue de son adaptation pour l'Égypte*. DON E. G. DE HERREROS.

*Journal des Économistes* (Paris).

NOVEMBER, 1915. *Le crédit britannique et la guerre*. YVES GUYOT. *La Théorie de la productivité finale et le profit*. M. BELLOM. Referring to Prof. J. B. Clark's theory.

DECEMBER, 1915. *L'emprunt 5% de victoire*. A. BARRIOL.

JANUARY, 1916. *Le Marché financier en 1916*. A. RAFFALOVICH. *Un programme d'économies budgétaires*. G. SCHELLE.

*Revue d'Économie Politique* (Paris).

SEPTEMBER–DECEMBER, 1915. *La diminution de la population adulte mâle en Europe*. A. GIRAULT. Among other social consequences are noticed those due to the rupture of equilibrium between the sexes. The vote may justly be claimed for widows of soldiers. *Un rapport officiel allemand sur les causes de prêts de guerre*. CH. RIST. A summary of the report communicated to the Reichstag on May 14th, 1915, by the Vice-Chancellor Delbrück. The *Darlehenskassen* have not been a decisive factor in the success of the German loans. The note issue of the Reichsbank has been guaranteed by the accumulation of gold. *La crise économique en Suisse durant la guerre*. H. PRONIER.

*Scientia* (Milan).

1915, No. XLIV.—6. *The Problems of the Future Peace*. R. MUIR. A criticism of Prof. Rignano's scheme for avoiding war.

VOL. XIX., No. XLVI.—2. *Les dépenses de la guerre et leurs conséquences économiques*. CHARLES GIDE. The expense of the war is much greater, yet the war has lasted much longer, than had been estimated. There is little to hope from the enemy's want of money, nor to fear from our own want thereof. Not bankruptcy, but famine is the danger. But the losses which threaten exhaustion are not to be measured by the money expended, since many payments represent transference, not destruction, of goods. The money measure, too, is ex-

panded. Besides, much that is spent in war would have been spent on luxury. Neither the want of money nor of things will terminate the war. *Reflexions et provisions à propos de la guerre.* ACHILLE LORIA. Professor Loria anticipates a loss of international fellowship, an exclusiveness which will rehabilitate the Ricardian theory of international trade; also a dislocation of industry which will result in widespread unemployment. He advocates clearing off the burden of debt at one stroke by a huge contribution from property. He looks for the abolition of that capitalistic organisation which has brought on us the evils of war.

*Giornale degli Economisti (Rome).*

NOVEMBER, 1915. *Tecnia dell' interesse.* G. DEL VECCHIO. Accumulation depends on a variety of elements not admitting of economic calculus. *La politica commerciale italiana.* A. FRASCHETTI. *Una teoria dell' urbanismo.* F. VINCI.

DECEMBER, 1915. *Tecnia dell' interesse.* G. DEL VECCHIO. Continued from November and concluded. *Problemi Finanziari della guerra.* Dr. Marshall's doctrine of maximum satisfaction, Prof. Pigou's development thereof, and other refined theories are employed in reasoning about the super-taxation of war profits.

JANUARY, 1916. *Il concetto d'utilità economica.* ROBERTO A. MURRAY. Referring to his former article (October, 1915), the writer continues to argue that the conception of economic utility is objectively indefensible—a conclusion which he thinks will have an important influence on the future orientation of economic studies. *Il concetto di transvariazione.* C. GINI. Let there be  $n$  groups of quantities, and let  $\lambda_k$  be a mean of the quantities in the  $k^{\text{th}}$  group; then if any one of the quantities in the  $k^{\text{th}}$  group minus  $R$  has a sign contrary to  $\lambda_k - R$ , there is said to be a "transvariation" between the  $k^{\text{th}}$  group and the quantity  $R$  with respect to the mean  $\lambda_k$ . On this definition are based elaborate constructions in mathematical statistics. *La politica commerciale italiana.* A. FRASCHETTI. A continued history.

*La Riforma Sociale (Turin).*

NOVEMBER–DECEMBER, 1915. *Le relazioni della economia politica con la guerra.* F. Y. EDGEWORTH. A translation of the lecture reviewed above. *L'economia Britannica in tempo di guerra.* W. R. SCOTT. A translation of the presidential address to Section F of the British Association. *La finanza Britannica.* A translation of an article in the *Candid Quarterly Review* for November, 1915; with a laudatory introduction by Prof. L. Einaudi.

*Der Schweizer Volkswirt: L'Economiste Suisse (Zurich).*

OCTOBER, 1915, No. I. This is the first number of a new monthly, written partly in French but mostly in German. The editor, W. Eggenschwyler, proposes to study the economics of war, with special reference to Swiss interests. The subsequent numbers maintain this character.

## NEW BOOKS.

*English.*

ANTHONISZ (J. O.). *Currency Reform in the Straits Settlements.* London and Singapore: J. Little and Co., 1915. Pp. 160. 3s. 6d  
[To be reviewed.]

GEORGE (D. LLOYD). *Notes on the Employment of Women on Munitions of War. With an Appendix on Training of Munition Workers.* Issued by the Ministry of Munitions. 1916. Pp. 94.

[The Minister of Munitions, in the preface, explains that this book has been prepared by an expert engineer who visited workshops in which the dilution of labour is in operation. The book is full of photographs, accompanied with explanations of the operations which are now being performed by women in munition factories, though hitherto solely by skilled men.]

ELLINGER (BARNARD). *The Position of the Doctrine of Laissez-faire after the War.* Manchester. 1915. Pp. 24.

[Presidential address to the Manchester Statistical Society, November, 1915.]

FRASER (MALCOLM). *Report on the Cost of Living in New Zealand, 1891-1914.* Prepared under the authority of the Government of New Zealand by M. Fraser, Government Statistician. Wellington: Mackay. 1915. Pp. 168. 1s.

[An inquiry into the course of retail prices, 1891-1914, and tables showing the increases during the war. Retail prices being weighted according to consumption, there are ascertained simultaneously the change in the level of prices and in the cost of living. Both rose considerably in the years preceding the war and in the months following. *E.g.*, the comparative costs of an average weekly house consumption of certain foodstuffs rose 16.5 per cent. between July, 1914, and August, 1915.]

HOARE (R. F.). *Scientific Management and Labor.* New York and London: Appleton. 1915. Pp. 302. 6s. net.

INGRAM (J. K.). *A History of Political Economy.* New and enlarged edition, with a supplementary chapter by Prof. W. R. Scott, and an introduction by Prof. R. T. Ely. London: A. and C. Black. 1915. Pp. xix+315. 7s. 6d. net.

[Reviewed above.]

KIRKALDY (A. W.). *Credit Industry and the War.* Being reports and other matter presented to the Section of Economic Science and Statistics of the British Association for the Advancement of Science. Manchester. 1915. Edited by A. W. Kirkaldy, Professor of Finance in the University of Birmingham. With a preface by W. R. Scott, Adam Smith Professor of Political Economy in the University of Glasgow. London: Pitman. 1915. Pp. 268.

[Reviewed above.]

LAWSON (W. R.). *British War Finance, 1914-15.* (Second edition.) London: Constable. 1915. Pp. 381.

MILLIoud (M.). *The Ruling Caste and Phrensiad Trade in Germany.* With an introduction by Sir Frederick Pollock. London: Constable. Pp. 159. 4s. 6d. net.

MUKHERJI (PANCHANANDAR). *Indian Constitutional Documents (1773-1915)*. Calcutta: Thatcher, Spink and Co. 1915. Pp. 473.

[A useful compilation of documents, preceded by a historical introduction. The author was Assistant to the Minto Professor of Economics in the Calcutta University.]

MUKHERJI (P.). *The Government of India Act*. Calcutta: Thatcher, Spink and Co. 1915. Pp. 68.

[A supplement to the last-named work for inclusion in which the India Act of 1915 came too late.]

MUZUMDAR (N. M.). *The Study of Indian Economics*. Bombay. 1915. Pp. 28. As.2.

[A lecture delivered before the Bombay Students' Brotherhood, with a list of books and official publications.]

ROBERTSON (DENNIS HOLME). *A Study of Industrial Fluctuation*. London: P. S. King. 1915. Pp. 285.

[To be reviewed.]

SNELLING (W. E.). *Income-tax Tables and Guide to the Deduction of Tax from Dividends, Interests, &c.* London: Pitman. 1915. Pp. 177. 5s. net.

TURNOR (CHRISTOPHER). *Our Food Supply: Perils and Remedies. "Country Life."* Pp. 171. 2s. 6d. net.

### *American.*

BARNES (CHARLES B.). *The Longshoremen*. New York: Survey Associates. 1915. Pp. 287.

[The evils of casual employment are exposed.]

BENGTSON (N. A.) and GRIFFITH (D.). *The Wheat Industry*. New York: The Macmillan Co. 1915. Pp. 341.

[The book purports to be for use in schools.]

CAHN (H.). *Capital To-day: A Study of Recent War Development*. London and New York: Putnam. 1915. Pp. 313.

HEPBURN (A. BARTON). *A History of Currency in the United States*. New York: The Macmillan Co. 1915. Pp. 552.

[An elaborate history of American money; concludes with a very brief description of currency systems in other countries.]

MAAZ (JESSE) and GANNAWAY (JOHN W.). *Comparative Free Government*. New York: The Macmillan Co. 1915. Pp. 753.

NORTH (CECIL CLARE). *The Sociological Implications of Ricardo's Economics*. Chicago: University Press. Pp. 65.

[A doctoral dissertation.]

SHAW (ARCH. W.). *Some Problems in Market Distribution*. Cambridge (Mass.): Harvard University Press. 1915. Pp. 119.

[A reprint of articles in the *Quarterly Journal of Economics*, preceded by an introductory chapter on the nature of business activities.]

SLINGERLAND (W. H.). *Child Welfare Work in Pennsylvania*. New York: Russell Sage Foundation. 1915. Pp. 352.

[A co-operative study of child-helping agencies directed by Dr. Slingerland, agent for the child-helping department of the Russell Sage Foundation.]

SLINGERLAND (W. H.). A Child Welfare Symposium. New York: Russell Sage Foundation. 1915. Pp. 138.

[A supplement to the last-named work.]

SUBERCASEAUX (G.). A Common Monetary Unit for America. Santiago de Chile: Imprenta Universitaria. 1915. Pp. 26.

["Subject of the preliminary programme treated by the second Pan-American Scientific Congress held in Washington, 1915." Proposals on the analogy of the Latin Union.]

TAUSSIG (F. W.). Inventors and Money-makers. New York: The Macmillan Co. 1915. Pp. 135.

[On the relations between economy and psychology. To be reviewed.]

ZUEBLIN (CHARLES). American Municipal Progress. New York: The Macmillan Co. 1915. Pp. 522.

[Typical instances of municipal progress in America—for instance, the institution of police-women—are recorded and discussed.]

### *French*

HAUSER (HENRI). Les Méthodes Allemandes d'Expansion Économique. Paris: Colin. 1915. Pp. 280.

LACHAPELLE (GEORGES). Nos Finances pendant la Guerre. Paris: Librairie Colin. 1915. Pp. 306. Fr. 3.50.

[A study of French War Finance. Reviewed above.]

MASTOW (PIERRE). L'évolution de l'Économie nationale. Traduit par J. Schapiro. Paris: Giard. 1915.

[Translated from the Russian.]

RIST (CHARLES). Nos Ressources financières. Paris. 1915. Pp. 16.

[Reprinted from *La Revue de Paris*, December, 1915.]

### *German*

ELTZBACHER (PAUL), Edited by. Die deutsche Volksernährung und der englische Aushungerungsplan. Braunschweig: F. Vieweg. 1915. Pp. 196. M. 1.

[A collection of essays by various writers. Reviewed above.]

### *Italian.*

ARIAS (GINO). Porti Italiani e porti del Nord. Rome. 1915. Pp. 12.

[Reprinted from *Rivista delle Società Commerciali*.]

ARIAS (GINO). La nostra Guerra e gli elementi della Ricchezza Italiana. Firenze: Tipografia Domenicena. 1915. Pp. 26.

[Extracted from *La nostra Guerra*.]

CARELLO (G.). La cosmopolis. . . . Turin.



CASSOLA (C.). La proprietà e la distribuzione delle ricchezze. Milano: Vallerchi.

GRAZIANI (A.). Le future conseguenze economiche della guerra. Bologna: Zanichelli.

[An extract from *Scientia* republished.]

GRIZIOTTI (JENNY). La Siberia come paese di esportazione. Rome: Athenæum.

MASCI (G.). La rendita idraulica. Milano: Vallerchi.

MORESCO (M.). Il patrimonio di S. Pietro. Turin: Bocca.

MAZZASELLA. Studi di etnologia Giuridica. Catania.

PREZIORI (G.). La Germania alla conquista dell' Italia. Con introduzione del Prof. Maffeo Pantaleoni. Florence: Della Voce. 1916. Pp. 272.

[A second edition, entirely rewritten.]

HECKSCHER (E. F.). Swedish State Finances. Stockholm. 1915. Pp. 17.

[Reprinted from *Sweden, Historical and Statistical Hand Book*—a Government publication.]

HECKSCHER (E. F.). The Economics of the Great War: A Study of Modern Economic Life under the Influence of the War. Stockholm: Norsteat and Somers. Pp. 243.

[The author is Professor of Political Economy at the University College of Commerce, Stockholm. The book is described in the preface as rather an attempt to explain comparatively well-known facts relating to the Economics of the War, than a narrative of economic events during the War.]

SWEDISH BANKING COMPANIES, 1824-1915. Published for the San Francisco Exhibition by the Swedish Banks Association. Stockholm: Svenska Bankföreningen. 1915. Pp. 27.

[A brief record of prosperity.]

THE FIFTEENTH FINANCIAL AND ECONOMIC ANNUAL OF JAPAN. 1915.

[The statistical excellence which characterises former numbers of this series is well maintained in the fifteenth issue, of which the interest is enhanced by reference to the initial effects of the war. For the first time—except the panic year of 1908—there was a considerable decrease both in exports and imports. But the war expenses of Japan were defrayed without borrowing, without moratorium, restriction of convertibility, or other emergency measure.]

# THE ECONOMIC JOURNAL

*JUNE, 1916*

## THE ECONOMIC INFLUENCE OF THE WAR ON THE UNITED STATES.

### I.

WHEN the economic history of the Great War comes to be written one of the most interesting chapters will relate to its effect upon the United States. At the outbreak of the war the economic conditions in the United States were far from prosperous and the outlook by no means roseate. The long-continued depression had not yet come to an end and the industrial future had been much beclouded by the enactment of the new tariff law. The immediate effect of the declaration of hostilities was the closing of the Stock Exchange and the fall in the rate of American exchange on Great Britain. Moreover, the trade prospects were dubious. The possibility of interference with commerce by all of the belligerents caused the timorous to look forward to extremely low prices for both of the great staples, wheat and cotton; while the continued shrinkage in railway earnings and the uncertainty caused by the passage of the anti-trust laws contributed another element to business depression. The sugar-beet interests and the Louisiana sugar planters had almost resigned themselves to what they thought would be an inevitable ruin caused by the impending removal of the sugar tariff. About the only ray of light on the horizon came from the enactment of the Federal Reserve law; but even this was too recent to afford any considerable prospect of speedy relief.

After the lapse of a few months, however, the situation began to change, and before long the unexpected results of the European situation brought about a veritable revolution of business conditions. In this revolution there were three distinct stages. The first movement, which set in toward the end of 1914, was the prodigious impetus given to the export of raw materials, such

as cereals, and of certain manufactured articles and other commodities needed for war purposes, primarily, meats, horses, mules, barbed wire, clothing and motor lorries. In the case of cereals, there was a bumper crop which now sold at high prices, and the export of which to the Allies soon met with no interruption from hostile cruisers. The rise of the general price level, which would no doubt have continued unabated for well-known reasons, was now accentuated by this great increase of demand abroad. The only exception to the incipient prosperity was in the case of cotton, where the falling off of the German demand caused a lowering of prices and a holding back of stocks. But even this proved to be a blessing in disguise, for it led to a widespread movement throughout the South to restrict the area of cotton planting, and thus brought about a transition from the one-crop system to a method of variegated production, as in the other portions of the Union.

The second stage in the development occurred with the placing of the huge orders for munitions of war, financed in part by the half-billion loan of 1915. It was not long before these enormous orders not only tested to their utmost capacity all the metal factories, but led to the increase of facilities on a huge scale and to the building of new munition plants, which brought with them a prodigious growth in the population of many cities and towns. By the summer of 1915 this movement was in full cry, and from that time up to the present has continued in almost unabated vigour.

The third stage in the development was the reaction of the above movements on the community in general. The immense profits of the farmers were reinforced by another bumper crop in 1915 and by a continued high price of cereals. On the other hand, owing to the movement mentioned above, the cotton crop of 1915 was held down to a much lower level than in the previous year, and the price of cotton accordingly rose, despite the continued absence of the German demand. To the extent, moreover, that the South now produced cereals instead of cotton, it prospered correspondingly. Side by side with the gains of the farmers there now came the great profits to the producers of munitions and other materials of war, together with an increase in the wages of the operatives. This rise in the purchasing power of the public, coupled with the growth in the output of the basic industries, soon spread to the rest of the productive field and before long to the media of transportation, until there ensued a veritable congestion of railway facilities. By the autumn of 1915 the

prosperity, present and expected, reflected itself in the great wave of speculation on the Stock Exchange, and from that time to the present writing all the marks of a business "boom" have made their appearance.

A few statistics may be presented in order to bear out the above statements. First, as to agricultural products. Large as were the crops of 1914, they were vastly exceeded by those of 1915, and despite the increased yield prices ranged so high that the value of the crops was markedly greater than before. This is apparent from the following table:—

	Yield.	Percentage of increase over 1914.	Value.	Percentage of increase over 1914.
Corn ... .. bu.	3,054,525,000	14.3	\$1,755,859,000	1.9
Wheat ... .. bu.	1,011,505,000	13.4	930,302,000	5.9
Oats: with barley, rye, and buckwheat added ... .. bu.	1,540,362,000	34.0	555,569,000	11.2
Total (for six cereals) bu.	5,908,370,000	19.1	3,417,932,000	4.9
Hay ... .. tons	85,225,000	21.5	912,320,000	17.0
Cotton ... .. bales	11,161,000	—44.5	602,393,000	14.6
Potatoes ... .. bu.	359,103,000	—12.2	221,104,000	11.0
Total of fifteen crops, including those next in value, viz., apples, tobacco, sweet potatoes, sugar beets, rice, and flaxseed ... ..			5,538,370,000	8.0

The next point to be emphasised is the enormous output of war materials. This can best be shown by the amount of exports. From August, 1914, to the end of January, 1916—a period just about covering eighteen months of the war—the exports of war materials were as follows:—

Explosives ... ..	\$214,662,647
Horses ... ..	115,096,929
Leather ... ..	108,848,525
Auto trucks ... ..	71,588,576
Brass manufactures ... ..	64,522,343
Wool " ... ..	55,916,059
Zinc " ... ..	46,793,006
Shoes ... ..	38,884,497
Mules ... ..	26,817,711
Harness ... ..	21,312,737
Barbed wire ... ..	18,657,798
Firearms ... ..	17,069,582
Lead ... ..	14,616,227
Auto tires ... ..	14,221,114
Aeroplanes ... ..	6,172,781
Horse-shoes ... ..	3,543,504
Motor cycles ... ..	3,183,689
Total ... ..	<u>\$841,867,125</u>

} or 17% of the total  
exports for that  
period.

The effect of this situation upon general business conditions during 1915 can be realised from the following figures: Bank

clearings amounted to \$186,079,731,746, an increase of 20·8 per cent. over the preceding year. The gross receipts of the railways (162 roads with a mileage of 222,163) for the calendar year 1915 were \$3,053,664,661, an increase of only 4·6 per cent. over the preceding year because of the comparatively late period when the "boom" struck the railways; but the net operating earnings for 1915 amounted to \$955,664,313, or an increase of 25·2 per cent. over the preceding year. The production of pig-iron in 1915 was 29,796,000 tons, an increase of 27·9 per cent. over the preceding year; while the output of iron ore was about 55,000,000 tons, an increase of 32·8 per cent. over the preceding year. The earnings of the general industries may be typified by the two following tables:—

## AMERICAN SMELTERS CO.

	1915.	1914.
Operating earnings . . . . .	\$8,235,906	\$5,320,867
Total income . . . . .	9,397,120	6,152,972
Charges . . . . .	2,827,625	2,193,368
Surplus . . . . .	6,569,495	3,959,603

## UNITED STATES STEEL CORPORATION.

	1915.	1914.
Earnings . . . . .	\$140,250,066	\$81,746,517
Net income . . . . .	97,967,963	46,521,408
Surplus net income after deducting interest and premium on bonds and dividends of 7% on preferred and 3% on common stock	44,260,374	— 16,971,984

The situation as it existed at the end of 1915 can be illustrated by the changes in foreign trade. The annual excess of exports over imports for the past ten years has varied between 350 and 650 million dollars (with the exception of 1910, when it fell to 187 millions). During the calendar year 1915, however, exports amounted to \$3,547,480,000 and imports to \$1,778,596,000, or an excess of exports of \$1,768,883,000. Europe paid for this by shipping to the United States during that year about 425 millions in gold and about one billion dollars in securities; while, on the other hand, the United States loaned to Europe about the same amount, namely, one billion dollars.

In only one respect do we find a great reduction, and that is, of course, in immigration. The comparative figures here are as follows:—

	1913.	1914.	1915.
Immigrant aliens . . . . .	1,387,318	688,495	258,678
Non-immigrant aliens . . . . .	229,585	159,536	68,963
Total . . . . .	1,616,903	848,031	327,641
Emigration . . . . .	598,946	588,378	284,636

In other words, while in 1913 there was a net surplus of over one million arrivals, in 1915 there was a net surplus of only slightly over 50,000.

While the above figures for 1915 are stupendous, the march has been even more rapid during the first quarter of 1916. The anthracite coal shipments of the nine leading railways in the eastern fields increased during the first three months of the year from 14,258,807 tons in 1915 to 17,708,007 tons in 1916. The output of steel rails in the same period rose from 525,000 tons in 1915 to 1,478,000 in 1916. During the month of March alone the comparative figures are 150,000 in 1915 and 1,100,000 in 1916. The production of pig-iron during the month of March increased from 2,063,834 tons in 1915 to 3,337,691 in 1916, and the present outlook is that there will be a production of wellnigh forty billion tons during the year, figures unheard of in the history of the world. The unfilled orders of the United States Steel Corporation were at the beginning of April, 1916, 9,931,000 tons, more than double the figures of a year ago. The daily average of bank clearings for the first three months of the year was as follows :—

		1915.	1916.
January	.. .	\$466,194,000	\$713,358,000
February	... ..	472,670,000	704,526,000
March	... ..	443,693,000	679,028,000

The railway earnings have been correspondingly large and the pessimistic feeling of a year or two ago has given place to hopeful expectation. Finally, the exports from the United States for the first eight months of the fiscal year—that is, from July 1, 1915, to March 1, 1916—amounted to \$2,586,301,570, making it probable that the exports for the entire fiscal year will aggregate the enormous sum of four billions of dollars, with an excess of exports over imports of probably over two billions.

This remarkable prosperity has been attended by an unexampled rise of prices which has been most marked in the last few months. According to Dun's index number the change has been as follows :—

		Jan. 1.	April 1.	July 1.
1913	... ..	120.8	—	116.3
1914	... ..	124.5	—	119.7
1915	... ..	124.1	—	124.9
1916	... ..	137.7	145.7	—

In other words, there has been an increase in the price level of about 20 per cent. since the outbreak of the war and of at least 40 per cent. since 1906, and this increase has been most marked in the

recent months. This may also be illustrated by the following prices of iron and steel products :—

	Jan. 6, 1915.	Jan. 5, 1916.	April 12, <sup>o</sup> 1916.
	\$.	\$.	\$.
Bessemer billets ... ..	19	32	45
Tank plates ... ..	1.10	2.25	3.75
Wire rods ... ..	25	40	60

It is apparent from the above figures that the effect of the war in the United States has been to produce a period of unexampled prosperity that is reflecting itself in every part of the body economic. To the student, however, who attempts to look beneath the surface there are two problems of commanding importance. The first is what are the disadvantages, if any, which tend to counterbalance the obvious benefits that have been recounted above? And, in the second place, what is the prospect for the future? To what extent is there likely to be a reaction from this fever of prosperity, and how far is it probable that the United States will remain in the field as a competitor of Great Britain in the export either of goods or of capital?

## II.

Among the disadvantages which counterbalance in part the prevailing prosperity four are worthy of attention: the labour market, the influence of high prices upon certain industries, the shipping situation, and the South American trade.

So far as the labour market is concerned, the United States is now passing through a critical period. As in all periods of rising prices, wages are lagging behind. It is a familiar fact that while the value of land is always the last to respond to any sudden increase in the general price level, wages occupy a position midway between ordinary commodities and real estate. The influence of the present burst of prosperity upon land values has scarcely declared itself as yet. The great depression under which New York City, for instance, with its \$8,000,000,000 of land values, has been labouring, is only slowly disappearing, and is largely responsible for the fiscal difficulties in both the State and the City of New York. In the case of the labour market, however, the tendency toward an increase in the wage rate has been considerably strengthened by the falling off in immigration, as noted above. Nevertheless, despite repeated advances of wages in the metal industries, in the textile industries, and elsewhere, real wages are still sensibly lower than they were a few years ago. The country is at present in the throes of a twofold wage struggle, an

important dispute in the anthracite coal mines of the East, and the nation-wide movement on the part of the railway employees to secure, under the guise of an eight-hour law, what is virtually an increase of wages. Before these lines are printed either or both of these disputes may have come to a head; and while everyone hopes that the contest will be amicably settled, the possibilities of trouble on a hitherto unknown scale are by no means eliminated. If the war and the rise of prices continue we may have to look forward to other labour disputes on a gigantic scale.

The second result of prosperity and the rise in prices has been to check certain kinds of consumption and to hinder the progress of certain industries, the raw materials of which are becoming too costly. Many examples, both small and large, might be mentioned. Thus, for instance, the attempt to carry out the reform in the disposition of ashes and garbage in the city of New York has been completely stopped by the impossibility of securing covered carts from the manufacturers, who are so busy with munition orders that they refuse such relatively unimportant commissions. Again, the great rise in the price of gasoline so seriously threatens the automobile industry that frantic attempts, thus far unsuccessful, are being made to secure the substitution of a cheaper fuel. Finally, the immense increase in the price of structural iron has virtually put a stop to the building industry in the city of New York; and what few large apartment houses are now being planned are of the non-fireproof type. This will evidently have a double effect. By restricting the progress of improvements it is diminishing the basis of valuation for local taxation, and will thus mean a higher tax rate in the near future, thereby rendering still more acute the local fiscal crisis. In the second place, it will lead to a distinct deterioration in the housing facilities for the city of New York. Many other examples, of which the above are chosen at random, might be presented to show the unfortunate results of the advance of prices. Of the embarrassments to the recipients of all fixed salaries and of the influence on the security market it is needless to speak.

The third point to which attention should be directed is the shipping industry. The United States is waking up to the extent to which it is dependent for commercial prosperity on Great Britain. Notwithstanding the prodigious increase of freight rates the situation is far less acute than it would otherwise be, because the American farmer has secured an advantage in the European market as compared with his Argentine or Indian competitor. This is apparent from the following table, which shows the cost



of shipping a bushel of wheat from various countries to Great Britain :—

	Feb. 1914.	Feb. 1915.	Feb. 1916.
	\$.	\$.	\$.
United States ... ..	0·06½	0·24 3/8	0·58 3/4
Argentina... ..	0·09½	0·43 1/4	1·08
India ... ..	0·12	0·14½	0·90

In other words, while prices have everywhere advanced enormously, they have advanced relatively less for shipments from the United States. Despite this fact, the lack of shipping facilities has been a serious embarrassment. With over half of the British merchant marine commandeered for military purposes and with a growing percentage destroyed by the submarine campaign the diminution in available tonnage has been so great as at intervals to create a considerable congestion at the chief ports and to interfere seriously with the course of trade. Even this, however, would not have sufficed to engender the present movement—since the burden of the delay and of the increased cost is borne largely by the foreign consumer—were it not for the great wave of sentiment for “national preparedness” which has been sweeping over the country. It is coming to be recognised that while from the point of view of mere dollars and cents it may have paid the United States to invest its capital elsewhere, and to allow Great Britain with its cheaper facilities to do most of the carrying trade, a merchant marine is important, not only for economic reasons, but also as a naval auxiliary. The people of the United States have about made up their mind that a great merchant marine must in some way be reconstituted and the consummation of the plan is delayed only by the inability of the two political parties to decide on a practicable scheme. That some form of Government aid is imperative is now rather widely recognised. In entertaining this opinion its advocates point to the famous passage of Adam Smith, where, in adverting to the fact that the Navigation Act may have been dictated by natural animosity, he proceeds to say that its provisions “are as wise as if they had all been dictated by the most deliberate wisdom.” “As defence,” says Adam Smith, “is of much more importance than opulence, the Act of Navigation is perhaps the wisest of all the commercial regulations of England.” This is coming to be the opinion of the United States. But whether our Navigation Act is to take the form of Government subsidies and national preference, as the Republicans desire, or whether, on the other hand, it should assume the garb of Government ownership through a Government Board, as the Bill now pending in Congress provides, is as yet undecided. Whatever

the final plan may be, the movement for the reconstitution of the merchant marine is a direct outcome of the present war. •

The fourth point adverted to above is the failure of the United States fully to utilise its opportunities in South America. The complete cutting off of the German export trade to South America and the great diminution of British exports conjoined to give the United States an opportunity to capture a foreign market which may possibly not return for a century to come. The depression, indeed, in the South American countries, which took the form of a decrease in their powers of consumption as a result of the war, would, in any event, have proved a temporary obstacle. But with the gradual resumption of normal conditions it would have been possible for the United States with comparative ease to step into the gap caused by total withdrawal of Germany and the partial withdrawal of Great Britain. It is not to be denied, moreover, that certain preliminary steps were soon taken in the United States towards this end. While the National Foreign Trade Council, as organised in 1914, devoted itself primarily to a larger merchant marine, the Chamber of Commerce of the United States, the American Manufacturers' Export Association, and the National Association of Manufacturers took up the general problem. The Federal Trade Commission has been considering as to how far it might be advisable to procure an amendment of the Sherman Anti-Trust Act in order to permit American producers to form combinations designed to maintain foreign sale agencies. The Bureau of Foreign and Domestic Commerce has in its publications sought to emphasise the possibilities of an increased trade with South America; and last, but not least, the National City Bank has availed itself of the Federal Reserve Act to establish branches in Brazil, Uruguay, and Argentina. Similar considerations prompted the formation of the American International Corporation with a capital stock of \$50,000,000, and in close relations with the National City Bank, designed to promote the investment of American capital in foreign industry.

This may seem an impressive catalogue. Compared, however, with what might have been done, the movement is insignificant. The truth is that virtually all the banks and most of the factories have been so busy making money out of the huge war orders that they have signally failed to take advantage of this unexampled opportunity in South America. A more short-sighted policy of sacrificing the future for the present it is perhaps difficult to find. To what extent the new methods, had they

been introduced, would have permanently supplanted the British and the German interests in South America is, of course, a question that deserves far more extended consideration than it is possible to give it in these pages. But to the economist who is concerned with the more permanent as well as with the immediate factors of the situation, the failure of the United States to utilise a golden opportunity is as lamentable as it is probably welcome to the commercial interests of its competitors.

### III.

When we come finally to speak of the outlook for the future we are treading upon dangerous ground. Of all kinds of speculation, economic speculation is proverbially the most hazardous because of the possible emergence of new and unanticipated conditions. It may, however, be worth while to throw out a few suggestions on the possible future development of the United States as regards (1) the financing of foreign trade, (2) the capital market, (3) the wages situation, and (4) economic relations to Great Britain.

In reference to the first point there has been much wild talk of the supplanting of London by New York as the world's financial centre. Revolutions of this kind do not occur overnight. Attention may, however, be directed to the recent history of the Federal Reserve Act. With respect to what has been accomplished in the internal trade of the United States this is not the place to speak, further than to state that the Act has already accomplished in many directions far more than even its enthusiastic advocates had hoped. But as regards foreign trade, a good beginning has been made in the development of a discount market. There has already been created a volume of bankers' acceptances which, although still relatively small, it would normally have taken years to develop. At the beginning of the European war the customers of some of the larger American banks found themselves cut off from their London credits and sought similar credit facilities in New York. The American banks soon adjusted themselves to the new conditions, and now accepted under special arrangements the very same kind of foreign bills which they had hitherto been buying and transmitting to London for acceptance. In New York City, up to the present, only about a dozen banks have done any substantial acceptance business; but the number is gradually increasing and the custom is fast spreading to the

other centres.<sup>1</sup> Not only are we now in some measure financing our own foreign trade, but we are beginning to finance the trade of other countries as well. Dollar exchange is becoming an assured fact. The longer the war lasts, and the more pronounced the movement toward the creation of American bank branches, agencies, and correspondents abroad, the nearer is the time when New York will become an important settling centre, like London, and when dollar exchange will become as current in commercial and financial circles as the pound sterling. This must, however, be a slow process, and at best it means, not the displacement of London from its position as the world's financial centre, but the creation of a new competition which may become even more serious than that of Berlin in recent years.

In this problem of the world's financial centre the most important element, however, is the volume of loanable capital for investment abroad. Here, indeed, there have been important changes. The United States has entered upon the world market and has loaned in 1915 about a billion dollars abroad; while Great Britain, instead of lending money (except in the shape of Government assistance to its Allies) not only has been borrowing from abroad, but has been selling most of its American securities. If the war continues much longer Great Britain will probably have to take another step, and, unless it succeeds in reducing its consumption to the level of its diminished production, will probably, after the exhaustion of the American securities, have to part with its South Americans. In ordinary circumstances this would be a serious step because of the undoubtedly close connection between foreign investment and foreign trade. And it is not at all impossible that Great Britain may prefer to borrow, if possible, from the United States on the security of its South American investments, rather than to part with them outright. But whatever the immediate effects of a continuance of the war may be, it is to be remembered that in all probability the United States has not yet, under normal conditions, reached the stage where it will be profitable to export capital on a large scale. The great American empire is still only half developed. It still needs tens of billions of capital to complete the railway system and to develop in the areas which are even yet not reclaimed by irrigation or by drainage the great industries which will surely one day cover the continent. While the opportunities for profitable investment

<sup>1</sup> This whole development is admirably set forth in a recent pamphlet by Pierre Jay, Chairman of the Board of Directors of the Federal Reserve Bank of New York, entitled: *Development of a Discount Market and its Relation to Our Foreign Trade*

of capital within the country remain so alluring as they are likely to remain for another generation, it scarcely seems probable that the United States will prove a formidable competitor of Great Britain and Germany on the capital market of the world. The foreign investments of the United States will no doubt gradually increase, especially in Central America, and to a certain extent in South America, but the extraordinary and abnormal conditions of the war will in all likelihood not be the permanent ones for the next generation or two.

The third point to be considered is the probable future of the labour market. A thorough treatment of the wages problem would obviously include two series of influences, the first comprising those which deal with general conditions of production, apart from labour, but which necessarily have an effect, both direct and indirect, upon wages; the second dealing with those causes which more specifically influence labour itself as a productive force.

Of the general influences, the most important are obviously the trend of land values, the future supply of capital, and the general price level; while in the second class of considerations there would be included such factors as (1) competition, (2) efficiency of labour, (3) combination of labour, and (4) social legislation.

Even a cursory treatment of these problems would require a separate article.<sup>1</sup> We shall have to content ourselves here with a short statement of that aspect of the problem which may be of especial interest to Europe, namely, immigration.

On this point there are evidently two possibilities. One is that emigration to the United States will be checked by the European demand for labour. The immediate result of the conclusion of peace is likely to be an attempt on the part of each of the belligerents to repair some of the ravages of the conflict by a considerable increase in output. Not only will much of the slack in production have to be taken up, but the actual diminution of the population by the casualties of war may mean a smaller working force. The increased supply of labour, together with the augmented demand for the products of industry, might thus diminish the trend to immigration.

The argument on the other side, however, seems to be stronger. For not only is it likely that the shortage of male workers will be compensated by the retention of women, but the disparity between

<sup>1</sup> This treatment has been attempted by me in a recent article, entitled "Wages After the War," published in the *Annalist*, New York, Volume vii, p. 168.

European and American wages is not likely to be changed for some time to come. For if there is to be prosperity in Europe because of its need for increased production, it is not at all unlikely that we shall have prosperity in the United States because of the greater European need for our raw material. The same forces, therefore, which are apt to increase European wages would be likely to augment American wages, and our relative attractiveness as a haven for the workmen would then continue for some time to come to be what it was before the war.

Moreover, it must be remembered that our immigration has of recent years been primarily from the non-industrial countries, like Russia, Eastern Europe, and Southern Italy. There is nothing to lead us to suppose that there will be any great and sudden industrial prosperity in these parts of the world. German and British emigration will no doubt continue to be small, but the economic motives affecting the Russian and the Italian and the Austrian emigrant are not likely to change much in intensity. Added to all this is the probability that the average peasant in Eastern Europe will be glad to escape from a position in which he may be called upon soon again to suffer the horrors of war in a cause which he scarcely comprehends. Thus a general political motive will be added to the undiminished economic motive. Finally, we must not forget the restlessness which experience shows is apt to overtake the members of a disbanded army, accustomed as they are to the freedom and irregularity of a martial life.

The net result of all these considerations is likely to be a considerable increase in the tendency to emigration. While it is certain that the United States will still need for some time to come a large addition to its working force, if industrial progress is to continue at the existing rate, it is likely that the great wave of immigration after the war will be checked by some form of restrictive legislation, a Bill for which is even now pending in Congress. If the golden mean is happily struck we shall not have immigration enough to pull down the general wage level, but just enough immigration to render possible a continuance of business prosperity.

Without being at liberty to enter upon a fuller discussion here, we may be permitted to state that both the general and the particular causes that have been at work for some time in the United States in bringing about a higher rate of wages may be expected to continue to operate with more or less undiminished force in the future. It is only in the unlikely event of either a great depres-

sion of business or an unchecked wave of immigration that this movement will be arrested. We say in the unlikely event, because the American people may be expected to guard against either a dumping of European products or a dumping of human beings on our shores. With reasonable forethought and intelligence we may expect to look forward not only to a rise in the wage scale, but also to an increase in that industrial prosperity which will spell higher profits as well as higher wages.

The last topic to be considered is the one on which speculation is the most hazardous, namely, the future economic relations of the United States and Great Britain. It is obvious that in considering the past and present of the economic relations between the two countries there are four points, in each of which the happy conjuncture of events has made the relations not only close, but profitable to each country. These are respectively, (1) foreign trade, (2) the merchant marine, (3) international credit facilities, and (4) the investment of capital.

In each of these points there has been, in the main, co-operation. For over a century Great Britain has been supplying the United States with manufactured products and has taken in return raw materials, with obvious resultant benefits to both countries. For over half a century Great Britain has done the carrying trade for the United States to the manifest advantage not only of Great Britain, but also of the United States, which found at home a more profitable opening for its investments. For well nigh a century London has been the financial centre of the world, and the United States has not begrudged settling its balances with other countries in sterling, for the simple reason that it possessed no similar banking facilities abroad. Finally, and above all, for over three-quarters of a century Great Britain has supplied the United States with much of the capital that it needed for its economic development; and while the profits have been large to the British, the advantages have been still greater to the Americans.

The cold-blooded, scientific inquirer will, however, ask what are the prospects of the continuance of this situation and what will be the influence of the war? The answer must be that in certain respects at least the situation is bound to change. In the first place, with reference to foreign trade, the war will indeed only strengthen a tendency which has been manifest for some time. The industrial development of the United States has recently brought about a marked diminution in the export of food-

stuffs; and it is not unlikely that America will soon become an importer, rather than an exporter, of cereals. On the other hand, with every succeeding decade our manufactured products assume a larger place among our exports. This tendency will probably be still further enhanced by the fact that for some time after the conclusion of peace Great Britain as well as the other belligerents will be busy in taking up the slack of production for home consumption. The period of the nineteenth century when Great Britain virtually enjoyed a monopoly of industrial output and the United States was the great provider of raw material has come to a close. It is likely that in the decades to come Great Britain will find a gradually sharper competition on the part of the United States in the neutral markets of the world, and in particular lines perhaps even in the home market.

Again, as we have seen, it is not improbable that the United States will in the near future build up a merchant marine of its own even at an economic sacrifice; and to the extent that this is accomplished, the shipping profits of Great Britain will obviously be diminished. In the same way, the beginnings of dollar exchange, to which we have adverted above, point to a period when the profits of London as the financial centre of the world will, indeed, not be seriously threatened, but at least substantially reduced by American competition.

While in the above three respects we may look forward to a new and increased competition in the immediate future, it is likely that, in so far as concerns the foreign investment of capital, the period of active competition between the United States and Great Britain will be postponed for another generation at least. For, as we have pointed out, there is still too much work to be done at home to render probable a surplus for abroad. It is, of course, by no means certain that there will be an immediate resumption of the old economic relations between Great Britain and the United States; for the longer the war continues, the more complete will be the sacrifice of British investments in the United States. It may take some time for the old conditions to be restored. But even when they are restored it will in all likelihood not be very long before the United States will begin to send its investments abroad at an increasing rate.

It would be an inviting field for the economist to speculate on the political effects of these impending economic changes. In the relations of Great Britain and the United States there have been three stages. In the first stage, when Great Britain still followed the Colonial and protective system, and when it sought to



subordinate the national aspirations of America to its own ends, the result was disagreement, culminating in the Revolution of 1776 and again in the war of 1812. The second stage was ushered in with the adoption of the free-trade policy by England, which, under the peculiar economic conditions of the United States, spelt prosperity for both Great Britain and the United States and engendered continually closer relations, with the spread of mutual affection and good will. The third stage, which is just now beginning, is that of an increasing economic competition in lieu of the preceding co-operation—competition for neutral markets, competition for shipping profits, competition for banking facilities, and, before long, competition for foreign investments. What the political results of this new stage of economic life will be is as yet shrouded in mystery. Will Great Britain cling to its free-trade policy, which was framed under conditions when the old competition had been defeated, or will it revert to certain phases of the protective, neo-mercantilist, and nationalist system of earlier times? And, on the other hand, what will be the corresponding policy of the United States and what will be the effect upon the world at large?

To answer these questions is obviously impossible. But whatever the answer may be, it is reasonably clear that the next half century will witness the development of a new stage in the economic relations of the two countries, and that the historian of the future will point to these new relations as among the most important effects of the Great War. Not alone for Great Britain and her present Allies, not alone for Germany and her associates, but for the United States as well, whether she keeps out of the war or not, the present gigantic conflict means a sensible alteration for weal or for woe of its future economic life.

*Columbia University.*

EDWIN R. A. SELIGMAN

## BRITISH AND GERMAN EXPORT TRADE BEFORE THE WAR.

THE present time would appear to be opportune for a brief comparison of British and German trade before the war. A general impression is prevalent that German progress has of late years been considerably greater than our own. It is desirable to see how far this impression is borne out by the available statistics, and whether the figures disclose an increasing severity of German competition generally, or in certain directions only.

A comprehensive survey of the trade statistics was published in Volumes IV. and VII. of the ECONOMIC JOURNAL by Mr. A. W. Flux. The inquiry was carried down to about the year 1894, and related not merely to the trade of Great Britain and Germany, but embraced also that of other Continental nations and of the United States. It is proposed in the present paper to deal only with the exports of the United Kingdom and of Germany between the years 1895 and 1913—the last year for which we possess complete information as to Germany's foreign trade.

This period of nineteen years may conveniently be grouped into averages of four periods—three of five and one of four years. The first figures to be noticed are those of the total foreign trade (exclusive of bullion), which are as follows :—

### TOTAL EXPORTS (millions of £).

	Average of				1895-1899.	1900-1904.	1905-1909.	1910-1913.
United Kingdom ... ..	...	...	...	...	300·0	356·6	462·5	581·2
Germany ... ..	...	...	...	...	197·9	251·8	340·1	460·0
Balance in favour of U.K. ...	...	...	...	...	<u>102·1</u>	<u>104·8</u>	<u>122·4</u>	<u>121·2</u>

These figures, as well as those to be subsequently given, do not include the exports of the United Kingdom to Germany, or *vice versa*. The direct trade between the two countries has been excluded in order to deal only with competition in foreign

markets. The preponderance of British exports in the first period is really slightly greater than appears above, since the export of new ships was first included in the British statistics in the year 1899, while it found a place in the German figures two years earlier. The United Kingdom export of ships in 1899 was about nine millions in comparison with domestic exports of 255 millions, and if we assume similar proportions in the years 1897 and 1898, we shall have to add about 3 millions to the yearly average, which will thus be about 303 millions, or 105 millions in excess of the German figure.

The figures of the total trade of both countries give due weight to the re-exports, which form one of our most considerable commercial assets, and their transport is really as much a domestic industry as any other. Lacking this item, the "special exports," or exports of the domestic produce of the United Kingdom, appear in a less favourable light in comparison with those of Germany.

#### SPECIAL EXPORTS (domestic produce only).

Average of				1895-1899.	1900-1904.	1905-1909.	1910-1913
United Kingdom	...	...	...	239.6	289.2	377.4	474.2
Germany	...	...	...	181.3	235.6	314.2	425.7
Balance in favour of U.K.	...			<u>58.3</u>	<u>53.6</u>	<u>63.2</u>	<u>48.5</u>

A slight correction has to be made, as before, for the export of new ships in the first period. A change in the method of recording the exports of the United Kingdom (from countries of immediate to countries of ultimate destination) has also to be taken into account. From 1904 to 1912 the Statistical Abstracts give both sets of figures, and a detailed comparison shows that the results, so far as concerns the totals that will be dealt with in this paper, are only very slightly affected. The chief alterations are a considerable fall in the exports to Belgium, almost exactly balanced by the exports to Switzerland, which appears for the first time in 1904 as one of the countries of export. The difference between the two sets of figures in no case reaches as much as a million sterling (or about a quarter of one per cent. of the total), and in most cases amounts only to one or two hundred thousand pounds.

So far the results appear to indicate that while our total exports have been pretty well maintained throughout, there has been a not inconsiderable falling behind in the case of the purely domestic exports in the last of the four periods. It is to be observed, however, that this is not due to any slackness on our

own part—for the increase of British exports is more than maintained throughout—but to a special spurt which our rival appears to have made in the four years preceding the war. In the last year the German imports, which had reached a figure of over 525 millions in 1912, were nearly stationary at 529 millions, but the exports increased by more than 40 millions; the imports of bullion increased by 110 millions, and the exports of bullion decreased by about 40 millions. It may be safely conjectured, I think, that the activities of the last four years were not purely commercial.

In any case, it is not sufficient to look at the figures in the lump merely. It is necessary to dissect them in order to ascertain their real significance. The first great division into which they fall is into the trade with European and non-European countries respectively. Russia will be included in the first and Turkey in the second group. Taking the European countries first, we find the figures to be as follows :—

SPECIAL (DOMESTIC PRODUCE) EXPORTS TO EUROPEAN COUNTRIES  
(millions of £).

	Average of	1895-1899.	1900-1904.	1905-1909.	1910-1913.
United Kingdom ... ..	64.5	76.2	97.4	121.6	
Germany ... ..	100.3	128.7	179.6	255.9	
Balance <i>against</i> the U.K.	35.8	52.5	82.2	134.3	

The superiority and uniform progress of Germany as regards the trade with European countries is clearly indisputable.

On the other hand, when we look to the trade with the rest of the world outside the continent of Europe, we shall find a still more remarkable superiority on the side of the United Kingdom. The figures are as follows :—

SPECIAL (DOMESTIC PRODUCE) EXPORTS TO NON-EUROPEAN  
COUNTRIES (millions of £).

	Average of	1895-1899.	1900-1904.	1905-1909.	1910-1913.
United Kingdom ... ..		152.6	188.4	246.0	313.3
Germany ... ..		45.3	60.7	83.5	110.4
Balance in favour of the U.K.		<u>107.3</u>	<u>127.7</u>	<u>162.5</u>	<u>202.9</u>

The broad conclusion to be drawn from these figures would seem to be that, as regards the continent of Europe, Germany had a great superiority, obviously due to her central position and to her magnificent railway and water communications with the

countries by which she is surrounded; while we, on the other hand, had an even greater advantage as regards the rest of the globe in our ocean communications and in the increasing magnitude and efficiency of our mercantile marine. The Continent, in the pre-war days, was becoming more and more the *hinterland* of the German railways, while the overseas countries of the world remained in increasing measure the sphere of influence of British sea supremacy. The contest has been between land carriage and carriage by sea, each exploiting the field most favourable to its activities.

That this was the main influence, rather than any difference of fiscal policy or of scientific attainments (though I would not for a moment minimise the importance of the latter factor), becomes, I think, still more evident if we analyse further the figures of the European trade. The Continental countries may be divided into two clearly marked groups, in one of which Germany has throughout had a greater export trade than the United Kingdom, and a second group in which British exports were, in the earlier periods, in considerable excess, and only gradually lost this preponderance. The former countries, which I shall denote by the letter "A," comprise Russia, Sweden, Norway, Denmark, the Netherlands, Belgium, Austria-Hungary, Rumania, and Switzerland. The latter, which I shall call "B" countries, include France, Portugal, Spain, Italy, Greece, and Bulgaria. It will be observed that the countries of the first group are those which march directly with Germany's frontiers, or, in the case of the Scandinavian countries, are separated only by a short stretch of the Baltic, while in the case of the others, with the exception of France, foreign territory intervenes. In the first case Germany, working—as she has worked in the war—on interior lines, has always held her own against our maritime superiority. In the latter, sea carriage at first prevailed, but lost its advantage as the European system developed and the railways of Germany were linked up with those of its neighbours by special agreements and the benefit of through rolling-stock.

The figures are as follows :—

#### SPECIAL (DOMESTIC) EXPORTS TO "A" COUNTRIES.

	Average of	1895-1899.	1900-1904.	1905-1909.	1910-1913
United Kingdom ... ..	37.5	41.8	53.7	68.6	
Germany ... ..	82.6	105.0	140.4	195.2	
Balance <i>against</i> the U.K. ...	45.1	63.2	86.7	126.6	

## SPECIAL (DOMESTIC) EXPORTS TO "B" COUNTRIES.

	Average of				1895-1899.	1900-1904.	1905-1909.	1910-1913.
United Kingdom ... ..	...	...	...	...	27.0	34.3	43.7	52.9
Germany ... ..	...	...	...	...	17.7	23.8	39.0	60.4
Balance in favour of (+) or against (-) the U.K. ... }					<u>+9.3</u>	<u>+10.5</u>	<u>+4.7</u>	<u>-7.5</u>

These figures seem to confirm the conclusion already arrived at, that the contest between the two countries was mainly one of land or sea carriage. During the period under review all Continental countries had greatly increased their railway systems, Germany alone having added over 7,000 miles between the years 1899 and 1912. In shipping, however, comparing the two years 1902 and 1912, she only added 950,000 tons to the register, while the United Kingdom increase was over 1,800,000 tons. The gain in effectiveness was greater still. Taking one steam ton as equivalent to four sailing tons, the German increase was a little over 1,000,000 tons and that of the United Kingdom rather more than 2,600,000 tons, or two and a-half times as great.

Another point which is noteworthy is that the trade of both countries increased *pari passu* throughout the period, and that neither seems on the whole to have gained at the expense of the other. Germany did not, so far as the figures disclose, oust us from any trade that we possessed before, nor we Germany. Out of an increasing volume of trade Germany obtained the major portion of the excess in Europe, Great Britain in the rest of the world. With the exception of certain years just after the South African war, and the two years of the American crisis and its aftermath (1908-09), there is no instance of a positive decline in British exports synchronising with a contrary movement in German exports. This is the more remarkable considering the strenuous efforts which Germany is well known to have been making to extend her foreign trade. The case of Turkey is a conspicuous instance. Our Consul-General noted in his report for 1908-09 (Cd. 4,446-49, p. 45) that goods were carried under the Levant tariff from Frankfort to Constantinople, via Hamburg (at which port they were transhipped), at lower rates than from Frankfort to Hamburg itself. Similar facts are given by M. Millioud ("The Ruling Caste and Frenzied Trade in Germany," 1916, pp. 109, 110) in regard to other German seaports. Yet in spite of such artificial encouragement, German exports to Turkey for the period 1910-1913 only averaged £5.3 millions, against £8.5 British.

Other overseas countries give similar results, as the following figures amply prove :—

	British Exports.		German Exports.	
	1906-09.	1910-13.	1906-09.	1910-13.
To Turkey . . . . .	7.5	8.5	3.8	5.3
„ Japan . . . . .	10.8	12.2	4.5	5.4
„ China . . . . .	10.4	11.7	3.4	4.1
„ British India . . . . .	47.6	56.5	5.2	5.5
„ Canada . . . . .	14.7	21.6	1.2	2.4
„ United States . . . . .	27.4	29.6	30.0	33.5
„ Mexico . . . . .	2.4	2.3	2.2	2.3
„ Brazil . . . . .	8.6	13.3	4.7	8.3
„ Australia and New Zealand . . . . .	22.8	31.9	3.2	4.3
„ Argentina . . . . .	18.1	20.2	8.3	12.5
„ Chile . . . . .	5.4	5.9	3.5	4.2
„ Egypt . . . . .	9.1	9.5	1.7	2.0
„ British S. Africa . . . . .	14.2	20.7	1.6	2.4

With the exception of the United States and Mexico, where Germany competes with us on approximately equal terms, there appears to be no non-European country in which British exports are not considerably in excess of German. The preponderance is accentuated in the case of our overseas possessions and Dominions, but is by no means confined to them. In fact, if the whole of our trade with these possessions be omitted from the British figures, leaving to Germany the benefit of her own trade with them, we shall find the British exports still in excess by an average amount of no less than 31 millions for the years 1910-13. For the years 1895-9 the excess was about 26 millions, so that it is at any rate not diminishing. If it were worth while to work out the figures for Germany's trade with our possessions, and subtract them from the German figures in order to make a fair comparison, the rate of progress would be much greater, because the trade of Germany with our Colonies has, of course, increased considerably in the interval. Apart from the Colonial preferences, no great matter in this connection, she trades with our Dominions on the same terms as ourselves, and she even exports to some of them—British West Africa, for example—more largely, than to her own adjacent territories.

The continuous trend of German exports to European and away from overseas trade may be further illustrated by the following percentage figures, compiled from the tables given in the *Statistisches Jahrbuch* for 1914 :—

SPECIAL EXPORTS (per cent. of total).

	1910.	1911.	1912.	1913.
To United Kingdom... ..	14.7	14.0	13.0	14.2
„ “A” countries . . . . .	45.2	45.2	46.3	46.4
„ “B” countries . . . . .	13.7	14.1	14.5	14.4
„ Other countries } „ (non-European) }	26.4	26.7	26.2	25.0
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Thus, while the percentage of exports to the United Kingdom has remained nearly stationary, the proportion of exports to European countries has increased, while that to the overseas countries has declined in relation to the whole.

On the whole, the figures we have now passed in review are by no means discouraging, and it must be remembered that they reveal nothing of the quality of the trades compared. British commerce, it may safely be assumed, is always carried on with a view to more or less immediate profit. There is reason to suspect, on the other hand, that much German trade has been merely the seed-corn of a speculative harvest, destined, it may be hoped, never to mature. But taking the figures at their face value, the result would seem to be to dispel exaggerated notions of German competition. Great as German progress has been in the past, British progress has been greater. There is unquestionably much room for improvement; for better organisation, for more businesslike methods, for a larger appreciation and a more liberal endowment of research; but the vision of an all-conquering Germany has not been true in the past, and assuredly should be even less possible in the future.

H. H. O'FARRELL



## THE MEAT PROBLEM IN GERMANY.

THE record of German official activities in connection with the meat question adds to the record of corn and potato developments a further example of the existing tug-of-war between town and country, between consumer and producer, over the question of how far and in what manner shall prices and sales be subject to official regulation. In the case of meat, however, the general conservative and agrarian demand for regulation by organisation of producers, as an alternative to price limitation and sumptuary orders, has not only taken definite shape, but has been put into actual practice—at least, as far as Prussia is concerned.

Now the meat question is one of the most complex aspects of the German food problem. In the first place it is not merely a meat problem, but a fat problem, and indirectly, therefore, a butter problem. In the second place, it is, of course, fundamentally a fodder problem, and, therefore, indirectly a corn and potato problem. As a fodder problem we meet it in the early months of 1915, the days of the first spring potato famine, when the ranks of the "potato devourers" were reduced, according to official estimate, from over 25 mil. to 16½ mil. head of swine. It was then that the movement took place which has since been described as panic slaughtering, and which, as events in the potato market show, was a consistent part of that record of miscalculation and indecision which marks the official attempt to secure potatoes. And in reply to the obvious question, What became of the corpses of these slaughtered millions? one has but to refer to the contemporary mushroom growth of meat-preserving factories and to the numerous advertisements during the following summer, offering decayed sausage meat at low prices for foddering purposes, to realise that large numbers of capitalists were taking advantage of the situation to adapt themselves to a new and lucrative branch of industry. It was some time, however, before the "potato devourer" was fully supplanted by the sausage-maker, as the villain of the German food comedy. A considerable proportion of this early spring slaughtering was brought about by the vigorous response of local authorities

throughout Germany to an Imperial order of January 25th, which called upon them to safeguard the food supply of their inhabitants by the accumulation of stocks of preserved meat goods. It was, however, an open secret that this order was inspired by considerations of fodder economy rather than by solicitude for the immediate food requirements of the population.

In considering subsequent developments of the meat problem, it must be remembered, in the first place, that owing to notoric is German habits of consumption the meat question is in the main a pork question; that, in the second place, whether or no there was any scarcity of home-grown potatoes, there was, very plainly, a large deficit of imported fodder, corn, and cattle food, which caused considerable anxiety to stock-breeders, and which in the spring of 1915 induced the Government to carry through a complicated and very complete scheme for the centralisation and regulation of the whole fodder trade. Small wonder, therefore, that in the steady and alarming general price increase which gave rise to so much discussion and legislation during the summer of 1915, meat took a prominent place, and that among the various kinds of meat pork claimed the lion's share of attention.

With the autumn of 1915 begins the maximum pig price farce which provides one more illustration of the very simple and direct results of this particular form of State interference. Throughout September we can trace a general chorus of complaint with regard to the increase of meat prices. During October this complaint was accompanied by a series of those shop and market scenes which are apt to reach this country in the form of street riots. In the middle of October, for instance, the sale of meat by the municipality to the Berlin populace gave rise to the most disconcerting crowding and scuffling, torn clothes, police interference, not to mention night-long waits outside closed market halls, followed by the dismissal of weary and empty-handed *Hausfrauen*.

To such events Press and public responded with the usual insistent cry for maximum prices, a cry which survived the very superficial and half-hearted action of the Government on October 28th, when the well-known "meatless days" were prescribed, and culminated on November 4th in the desired measure, duly formulated on the approved lines of combined Imperial and local rates. The new measure, which applied to pigs only, defined a scale of rates per zentner live weight, graduated according to price zone and the total weight of the live pig. Further clauses of the order required local authorities to fix maximum prices for

pork, fat, and sausage goods, and prescribed an upper limit for their determination. As regards the actual rates fixed, the statutory prices showed a general reduction of from 30 to 35 per cent., as compared with the free market prices ruling during October.

This measure may be regarded as the first official attempt, apart from the "meatless days" and the indirect operations of January to February, 1915, to deal with the meat question on a national scale. It must be remembered, however, that its importance is considerably dwarfed by the fact that it forms part of that flood of maximum price legislation which is recorded during the autumn of 1915, and which provides such a curious contrast to Herr Delbrück's statement on the subject during the August Reichstag debates, in the course of which that Minister explained that maximum prices by themselves were an ineffectual weapon, and that, when strictly enforced, they did not regulate, but rather disorganised, the market.

As regards the immediate effects of this particular maximum price measure, an instructive picture is presented by the statistics of the Berlin central stock market, held on Wednesday and Saturday of each week. The normal pig supply on these days is estimated by the *Berliner Tageblatt* of November 16th at from 10 to 12 million head. During November, 1915, the following figures are recorded :—

November	3rd	...	...	11,190	November	17th	...	...	3,854
"	6th	...	...	11,442	"	20th	...	...	4,523
"	10th	...	...	8,162	"	24th	...	...	7,583
"	13th	...	..	2,528	"	27th	...	...	5,477

And this movement was not peculiar to Berlin; the Cologne market statistics show a similar development; in fact, as the *Kölnische Zeitung* of November 16th points out, "our farmers are now withholding pigs as they withheld potatoes."

A closer examination of the results of this order, however, shows that, apart from the general and recognised tendency of sellers to withhold their goods in the face of official price regulation, special causes were at work, the result of specific faults in the order itself, which were responsible for some part of the general stoppage in the pork trade which followed its publication.

In the first place, so vague was its actual phraseology that from the very outset disputes arose as to which party was entitled to claim the maximum prescribed price. Stock-dealers maintained that these rates related to the sale of swine for slaughter in the stock market. Farmers, on the other hand, claimed that they referred to the original purchase of beasts in the farmyard itself. Where farmers stood out for the maximum price, it was

naturally impossible for a dealer to purchase pigs at the farmyard, bear the cost of their transport to the stock market, and make a profit on their resale at the statutory rates. This alone resulted in a considerable dislocation of business, nor does the Government appear to have made any attempts during the subsequent three months to solve the misunderstanding.

In the second place, as regards the establishment of local retail prices, the usual dislocations appear to have arisen as a result of the lack of uniformity among the bodies concerned. In Cologne, for example, the *Vorwärts* of January 8th reports that a scale of local retail pork prices had resulted in the depletion of the markets. Meanwhile, in Berlin, throughout the months of December, January, and February, the municipal authorities were subject to a chorus of complaint from "Delicatessen" sellers and grocers to the effect that the high level of the Berlin sausage prices prevented goods from reaching the Berlin market, in view of the fact that large numbers of towns had not yet established similar rates.

But the most important result of faulty price adjustment is connected with the meat preservation question. The sausage prices may have been too low to suit the convenience of the sellers thereof; they were, nevertheless, high enough to put a distinct premium upon the manufacture of meat preserves, more particularly since such goods offered the possibility of storage for speculative purposes, in preparation for the future statutory price increase which experience has taught German producers to regard as the reward of arbitrary withholding. Thus it was that a considerable proportion of the above-mentioned depleted market supplies disappeared into the meat-preserving factories—some 800,000 in a single market day, according to the *Berliner Tageblatt* of December 11th—while growing public discontent is recorded in connection with the impossibility of obtaining fresh pork at the maximum prices.

Beyond the three sources of business dislocation recorded above, the usual forms of illegal evasion are recorded, such, for example, as weight manipulation, the addition of bones, presents by stock-dealers to the children of farmers, incidental fees, together with frank, unashamed excess demands by dealers to butchers, who dared not prosecute for fear of cutting themselves off from future supplies.

And behind these developments there appears to have been comparatively little actual scarcity. The official census of December, 1915, records a total stock of over 20 mil. pigs, as

compared with 16½ mil. recorded during the preceding April, though, no doubt, as far as fat is concerned, fodder difficulties were making themselves felt in the quality of the pigs offered for slaughter.

By the beginning of February conditions had become so uncomfortable—to use a mild expression—for the urban consuming classes that the Government thought fit to take further action, and two new measures are recorded. On February 1st an order was issued prescribing a drastic limitation of the meat-preserving industry, certain forms being prohibited altogether, and the manufacture of sausages limited to one-third part by weight of each pig slaughtered. On February 15th the maximum price order was overhauled, with the ostensible object of deciding the vexed question of farmyard or market prices. Decision was given in favour of the farmer, and the readjustment carried out in such a way as to achieve a considerable advance on the existing maximum rates.

The terms of these two orders are curiously characteristic of the Government's attitude to the various classes involved. The speculative manufacturer offends the public interest by intercepting fresh pork on its way to the consumer; he is duly frustrated by a measure which results, according to the statement of a Berlin master-butcher, in the closing of a number of factories and the displacement of some 800-1,000 employees. The farmer offends the public interest by withholding his supplies, and he is met by gentle persuasion and capitulation in the form of increased maximum prices. How he will respond to such persuasion remains to be seen; but the following statistics of pig supplies in the Berlin market during the month of February suggest that he is determined to guard his pigs as jealously as he guards his potatoes :—

February 2nd	...	...	3,800	February 12th	...	...	3,537
„ 5th	...	...	4,100	„ 16th	...	...	2,442
„ 9th	...	...	3,700	„ 19th	...	...	274

By the end of January, however, there were signs that official circles had abandoned any real hope, if they ever possessed it, of dealing with the meat question on the old lines of price regulation and sumptuary orders; and during the early months of 1916 a scheme was introduced throughout Prussia for the compulsory syndication of the entire live-stock trade in the hands of provincial organisations of the traders concerned. These organisations are, in effect, semi-public bodies under official direction, in which the consumer as such reserves a nominal representation.

They constitute the first concrete expression of the old conservative ideal of food control on the lines of organised production. Moreover, as regards the immediate problem with which they are faced they offer a practical solution of the meat-preserving question, since, their membership being legally defined and invested with a monopoly of the entire stock trade of the province, it will be possible for the syndicate to exclude from trade any class, such, for example, as buyers on behalf of meat-preserving factories, which it considers undesirable in the public interest.

How far these organisations will effect any solution of the existing meat difficulty, how far they will inspire the trust of the consuming public, how far they will serve as a model for the rest of Germany, and how far they will be manipulated by the Prussian bureaucracy in the agrarian interest, are questions which will afford an interesting field of observation during the coming summer months.

MARY STOCKS

## WAR AND WAGES IN THE IRON, COAL AND STEEL INDUSTRIES.

MODERN war brings about the *reductio ad absurdum* of the routine of peaceful life. The efforts to preserve "normal conditions" may be praiseworthy indeed, but may be stultified by the strains and stresses to which the familiar fabric of life is subjected. The whole nation is thrust violently into new and strange surroundings in which the usual functions of its component parts may either cease entirely, or with difficulty continue, or, again, achieve an unknown exuberance of development. In the industrial world this shock has come in the guise of a sudden and insatiable demand for products for which there had previously been little call. The result has been the creation of a great new industry, in the building up of which many materials have been used which formed a part of the old industrial system; and any examination of this new industry reveals much that is ostentatiously familiar among much that is obtrusively new.

The first impulse to increased economic activity would naturally be felt in trades and industries designed for the specific production of materials of war; and from them the shock would radiate outwards through other industries standing in relation to them, either directly, as ministering to their needs, or indirectly, as possessing analogous capacities. The armament industry in England was, industrially, highly specialised. The ordinary demand for war-like material was small, the market very restricted, and the inducements to enter the trade were not great. Indeed, the real economic strength of the great armament firms lay rather in their potential ability to meet certain given conditions. The products of such industry demand a high quality of material and accuracy and skill of manufacture, but the smallness of the demand rendered these occupations intermittent in character. As a result, the rate of wages paid must, in normal times, be high in order to ensure the retention in the industry of men of sufficient skill and experience, and to compensate them for unoccupied time. Piece-rates were always high and were kept up by the policy of the labour organisations which restricted the output per man in order to avoid reduction in rates, and also demanded the employment of fully skilled men on what was really simple repetition work. The

whole of what is now termed munitions work was thus in the hands of a relatively small body of highly skilled men who formed a close corporation in receipt of wages determined by the degree of skill demanded by Trade Union policy, and by the intermittent nature of the occupation. When it became obvious that the existing resources of the country could not deal with the demand for munitions of war, adaptation of capital and of labour was urgently necessary. There were newcomers in the armament industry, both on the side of the employers and of the workmen. For new occupations new rates of wages had to be fixed, and in fixing any particular rate the strongest of all forces is precedent which has the compelling power of a tradition. An established rate is a consecrated standard of value, independent of time, place, or circumstances. Increase only is possible; decrease is anathema. Hence, in the early period of the effort towards increased production, new labour demanded and gained the existing rates, and new employers often used as their guide in negotiations with their men the scheduled rates paid in the old armament firms. In ordinary times the creation of a new or the sudden development of an old industry can draw upon the floating residuum of labour in the industrial world. In 1914 and early 1915 the withdrawal of men from civil life had destroyed this reserve, and this shortage of labour prevented any attempt to bring rates of wages into accord with changed conditions. It was the work of the Ministry of Munitions to bring into the munitions industry a better subdivision of labour and the establishment of more reasonable rates of remuneration. Where piece-rates are very high, the ordinary assumption is that the output per man must be correspondingly low, and this legend was fostered by the "ca' canny" policy. The speeding up of production revealed the possibilities of greatly increasing the output per man, and at the same time showed that the economic effects of a sudden increase in total earnings are temporarily, at least, thoroughly bad. Time is necessary before the standard of life becomes adjusted to the new earnings; and time was precisely the commodity which was most precious. In many cases the result of the increased production of war materials was that a man earned in three days more than he had previously earned in six, simply because he turned out more or different work; and, having attained a certain financial standard, he could see no reasonable necessity for working more than those three days. This is the point where the wages system really breaks down when applied to war conditions. The only bond between the workman and his work is the regrettable necessity of earning a living. It is not the workman or the employer who is to blame



for that. It is the nemesis of system of ideals based on profit rather than on service.

The case is very different with men who work, whether upon dotal or piece-work rates, in occupations of such a character that any sudden and great increase in output per man is a physical impossibility, or, again, where war conditions have really involved a diminution in his working capacity. It is very difficult to weigh the effect upon the remuneration of labour in what may be termed the secondary munitions industries, whose products have no such individualistic forms as those of trades occupied in turning out the finished article. A bar of iron may become the core of a concrete block or a hand grenade, but its ultimate destination does not affect the wages of the maker of the bar, and it is in such industries that we can assess with greater sureness the real or apparent rise or fall in wages which has resulted from the war conditions, and it is these which I propose mainly to treat.

The figures which follow will give the relative standard of remuneration in iron, coal, and steel industries based upon the actual average wages per man during the periods stated. The division of periods demands some preliminary explanation. The period from January, 1913, to July, 1914, may be taken as representing the fluctuations of a fairly normal period of industry. From August, 1914, up to the middle of May, 1915, the condition of what I have called the secondary munitions industries was thoroughly chaotic—the grating and grinding of the old mechanism adapting itself to new work. From July, 1915, to the present day the new industrial machine has, as it were, run itself in. Working is smoother and fluctuations less owing to the operation of forces, partly natural and partly artificial, which will be dealt with in their proper places.

# 1.—TABLE OF INDICES OF COMPARATIVE REMUNERATION IN COAL INDUSTRY.

Period A.			Period B.			Period C.		
Jan. 1913	...	16.36	Aug. 1914	...	15.54	May 1915	...	20.21
Feb. "	...	17.14	Sept. "	...	15.39	June "	...	19.78
Mar. "	...	16.94	Oct. "	...	16.26	July "	...	19.75
April "	...	16.75	Nov. "	...	16.64	Aug. "	...	19.6
May "	...	17.35	Dec. "	...	16.51	Sept. "	...	20.4
June "	...	17.78	Jan. 1915	...	16.76	Oct. "	...	20.7
July "	...	17.703	Feb. "	...	18.25	Nov. "	...	20.57
Aug. "	...	17.94	Mar. "	...	18.43	Dec. "	...	20.74
Sept. "	...	17.5	April "	...	17.4			
Oct. "	...	17.98						
Nov. "	...	17.59						
Dec. "	...	18.17						
Jan. 1914	...	16.73						
Feb. "	...	17.36						
Mar. "	...	17.05						
April "	...	16.58						
May "	...	17.63						
June "	...	16.85						

## II.—IN IRON ORE MINING.

Period A.			Period B			Period C.		
Jan.	1913	... 15-15	Aug.	1914	... 15-76	May	1915	... 18-43
Feb.	"	... 16-41	Sept.	"	... 18-22	June	"	... 18-87
Mar.	"	... 16-82	Oct.	"	... 17-19	July	"	... 20-21
April	"	... 16-91	Nov.	"	... 16-96	Aug.	"	... 19-93
May	"	... 17-57	Dec.	"	... 17-31	Sept.	"	... 19-97
June	"	... 18-19	Jan.	1915	... 16-87	Oct.	"	... 20-25
July	"	... 17-33	Feb.	"	... 17-41	Nov.	"	... 18-58
Aug.	"	... 17-64	Mar.	"	... 17-37	Dec.	"	... 18-23
Sept.	"	... 17-75	April	"	... 18-43			
Oct.	"	... 18-43						
Nov.	"	... 17-03						
Dec.	"	... 16-95						
Jan.	1914	... 15-48						
Feb.	"	... 16-63						
Mar.	"	... 15-59						
April	"	... 14-95						
May	"	... 15-06						
June	"	... 15-2						
July	"	... 16-47						

## III.—IN IRON AND STEEL INDUSTRY.

Period A.			Period B.			Period C.		
Jan.	1913	... 18-34	Aug.	1914	... 18-47	May	1915	... 22-95
Feb.	"	... 18-9	Sept.	"	... 17-73	June	"	... 20-95
Mar.	"	... 17-94	Oct.	"	... 19-84	July	"	... 24-78
April	"	... 18-45	Nov.	"	... 20-47	Aug.	"	... 23-18
May	"	... 18-83	Dec.	"	... 20-53	Sept.	"	... 24-47
June	"	... 19-02	Jan.	1915	... 20-34	Oct.	"	... 24-84
July	"	... 19-49	Feb.	"	... 19-08	Nov.	"	... 25-14
Aug.	"	... 18-961	Mar.	"	... 24-56	Dec.	"	... 24-67
Sept.	"	... 18-7	April	"	... 21-23			
Oct.	"	... 18-54						
Nov.	"	... 19-45						
Dec.	"	... 18-84						
Jan.	1914	... 17-25						
Feb.	"	... 18-70						
Mar.	"	... 18-72						
April	"	... 18-23						
May	"	... 18-95						
June	"	... 17-16						
July	"	... 17-7						

These figures, it is readily seen, show that the general trend of the earned wages per man is upwards, although the increases cannot be called really startling, and almost all can be accounted for in quite a natural way.

The chief factor governing wages earned in the industries mentioned is the selling price of their products. In nearly every case there is a fixed base rate, whether of piece or time work, which varies with the rise or fall of prices. In effect it is the market which governs the fluctuation of wages. The first effect of the war was to knock to pieces the accustomed markets, and this dislocation of commerce is reflected in the earnings of the men, although it was but temporary. Heavy enlistments brought

about a great labour shortage, diminution of output coincided with a sudden demand, which promptly sent up prices. From January, 1915, the rise in the prices of coal, iron, and steel was fairly constant, but this rise in prices applied equally to foodstuffs and other necessities of life, and the rise in wages was by no means correspondent to the rise in price of ordinary commodities of family consumption. Thus in May, 1915, by solid action on the part of the Miners' Federation, a special advance of 15 per cent., irrespective of the sliding scale terms, was granted to all workmen who came under the rules of the Federation on the understanding that further advances should merge in this special bonus. The rise in prices continued as the demand for coal increased and output diminished, until this special advance was overtaken. The rise in wages in the case of mining industries is different in kind from that of the engineering trades now engaged upon munition work. There the output per man is variable, and by harder or more attentive work a man can earn far more than he has been accustomed to do. In the mining industry the amount which a man can produce varies relatively little, and, therefore, if he is to earn more, it must be by an alteration of the rate at which he is paid for his labour. Sliding scale agreements are based upon the general assumption that prices indicate with some approach to accuracy the profits which are being made in a particular industry. In normal times this is often a fairly true working hypothesis, but in times of stress the rise in prices is often due to the highly increased cost of production. The price of raw materials has a great bearing upon the selling price of any manufactured article, and, therefore, where a rise in price is due to rising costs, the hypothesis is false and the exploitation of national stress is as much on the side of the wage-earner as on that of the capitalist and owner. During twelve months of war the cost of raw materials in iron-making industries rose from 17 per cent. to 25 per cent., and this increase was reflected in the prices. So far as there was no real increase in price, the consequent rise in wages therefore reacted as an increased charge against the cost of manufacture, and so the process went on in a kind of vicious circle.

It might perhaps assist in the illustration of this point to give some cases of actual earnings of men who work under these sliding scale agreements, which, whatever their faults, are generally smooth and effective in preserving good relations between employers and employed. These earnings are those over periods as nearly as possible correspondent to each other :—

(1) Week :—	1.			2.			3.			4.			5.			6.		
Pre-war earnings	£3	7	0	£3	19	3	£4	15	10	£3	8	8	£3	1	6	£3	6	1
War earnings ...	£5	0	9	£4	18	10	£3	7	9	£4	1	3	£4	19	2	£3	10	11
(2)																		
Pre-war earnings	£2	15	1	£2	18	0	£3	17	7	£2	14	6	£2	17	7	£2	15	0
War earnings ...	£4	4	4	£3	18	3	£3	12	6	£3	11	0	£3	2	8	£3	12	6
(3)																		
Pre-war earnings	£2	18	0	£2	0	10	£2	9	2	£1	13	9	£1	19	6	£2	10	6
War earnings ...	£3	5	6	£2	16	1	£2	13	5	£3	4	8	£3	11	2	£2	3	2

In effecting a comparison between these earnings it is necessary to bear in mind several modifying factors. In many occupations, as, for example, the workers on a blast or steel-melting furnace, or men employed in steel rolling mills, men are paid a rate based upon a sliding scale with a bonus of so much per ton on all or some portion of the output of the plant; and in estimating the margin between pre-war and war earnings, it is necessary to appreciate the fact that a shortage of materials has often restricted output, and with it the amount of money earned by the workmen; or, again, the quality of output demanded may be such that it is impossible to turn out large quantities, and this has operated to check increase in wages.

Constant demand for products and a limited supply of labour ensure uninterrupted work for the workmen who will take it, and where there has been no alterations of rates of pay we find men earning wages much higher than before, because their time is more fully occupied, and the number of hours worked per week is higher. This point, in turn, may best be illustrated by the use of comparative figures. The men in this case were paid a fixed rate per hour. They were mechanics employed in repair and maintenance work :—

(1) Week :—	1.			2.			3.			4.			5.			6.		
Pre-war earnings	£3	7	0	£3	6	9	£3	4	7	£2	7	5	£3	6	7	£2	12	4
War earnings ...	£4	13	1	£4	2	8	£4	13	2	£4	18	4	£4	19	4	£3	17	3
(2)																		
Pre-war earnings	£1	16	2	£2	1	6	£2	3	11	£1	19	1	£1	18	3	£1	13	10
War earnings ...	£2	10	8	£2	12	9	£3	10	8	£3	3	6	£2	5	0	£2	0	7
(3)																		
Pre-war earnings	£3	4	3	£2	2	7	£2	17	6	£3	13	10	£2	14	2	£2	8	9
War earnings ...	£3	17	8	£4	1	10	£3	0	7	£4	3	5	£3	12	11	£4	7	8
(4)																		
Pre-war earnings	£2	4	3	£2	4	3	£3	2	0	£2	18	11	£2	4	7	£2	16	8
War earnings ...	£4	7	1	£5	9	10	£3	18	2	£4	4	10	£4	0	10	£4	5	4

In all these cases the increase is due to an actual addition to the time worked, and the later figures in most cases give the real test of the earning capacity of the man.

All the classes of labour with whom we have dealt possess a certain elasticity of earning opportunity which is denied to those employed in incidental occupations, who are paid a fixed wage per day with no sliding scale and no opportunity of increasing their remuneration by more intense application. They form a

very large proportion of the wage-earners, and probably are the least considered of all. The increase of wages does not affect their occupations, but the upward trend of remuneration in other départements of labour has effected a change in the *personnel* of these fixed-wage occupations. As labour in higher-paid occupations became more and more scarce, the fixed-wage men were transferred to other occupations and their places taken by lads or old men as far as possible. Thus, while the class as such has received no general advance in wages, yet the majority of individuals who composed the class previous to the war have benefited by transference to other occupations, and youths who came to fill the vacant places were paid the wages which the men had received, on the principle that a certain minimum pay is attached to each occupation, and no one, be he boy or man, must receive less. It has not been possible to trace concrete cases with sufficient accuracy or in sufficient numbers to attempt a typical evaluation of the influence of war conditions, and the examples which I quote are only given as individual instances of what has taken place. Men were transferred from ordinary labourers' work and set to the use of some simple pneumatic tools. Their previous rate of wages had been from 4s. to 5s. 6d. per shift, or an average weekly wage of 22s. to 30s. In their new occupation their wages ranged from £2 17s. 6d. to £5 5s. Such instances, though probably numerous in the aggregate, defy reduction to type, because of the unstable character of the *personnel* of these occupations.

As a contrast to the lot of the fixed-wage earner, whose increase of earnings depends upon some more or less inadequate "war bonus," whose occupation is hardly definite enough to win any solidarity of action, the classes most fortunate in the elasticity of its earning powers and most blessed by war conditions are the number whose earnings depend on sheer magnitude of output. To this category belong many workers on steel-producing plants which are now working to the very fullest of their capacity. The following figures will give some indication of the effect of war conditions upon their earnings :—

(1)	Week :—		1.	2.		3.		4.		5.		6.						
Pre-war earnings	£6	9	6	£7	13	8	£8	3	8	£6	12	6	£6	13	3	£8	4	6
War earnings ...	11	1	10	14	0	4	12	7	10	10	19	2	9	12	7	11	12	2
(2)																		
Pre-war earnings	£3	18	3	£3	19	10	£3	12	1	£4	9	6	£3	9	6	£4	5	3
War earnings ...	£5	16	3	£5	13	1	£4	12	7	£5	11	10	£3	17	3	£4	10	7

This class, generally speaking, consists of men of great practical skill and knowledge, among whom absenteeism is very rare, and their high remuneration, as compared with pre-war conditions, is

a tribute to their steady attention to work, an accident of a system which they did not make.

After this sketch of the pressure of war conditions in the direction of increased wages, it may perhaps be well to consider some of the factors which have a restrictive influence. Mention has already been made of the fact that a change in the quality of output may operate to decrease the wages paid in the occupations connected with the particular industry. Materials of war demand a very high standard of quality in order that they may the more efficiently deal death or support life. Where wages depend on quantity, the factor of quality exercises a very disturbing influence. It is impossible to turn out the same bulk of high-grade material, and thus in certain of the occupations which have been glanced at the rises in remuneration have been less than they might have been.

Another factor of great importance in the restriction of heavy increase in wages is the regulation of prices. Maxima have been fixed for the greater number of the iron and steel products of the country, and there is no doubt that without them there would have been no limitation of prices, and, therefore, no limit to the wages which could have become due under sliding scale agreements. Many such agreements contain a clause providing for a maximum percentage rise above the base rates, but it is more than doubtful whether a rise in prices out of all proportion to the maximum percentage rate would not have promptly brought about the denunciation of the limiting clauses of the agreement. By a reference to the index tables which are given in a previous page it will be possible to trace the levelling effect of the regulation of prices. For example, in Table II. we find a very sudden rise in July, 1915, which continues until October, 1915. The wages in this table depend upon the ascertained selling price of pig-iron, and the sudden fall in November, 1915, illustrates the operation of a maximum price which was much below the prices obtainable previous to the regulating ordinances. Similarly, in Table III. it will be seen that the fluctuations subsequent to August, 1915, when the principle of regulation of prices had been adopted in practical fashion, are far less violent than at any other period.

The amount of wages now being paid in the primary and secondary munitions industries is, for obvious reasons, scarcely possible of assessment, but there is no doubt that the total sum is far greater than was ever paid before. This does not mean that every man in those industries is receiving a correspondingly high rate of pay. Abnormally large earnings are, on the whole, the exception rather than the rule, although, as has been shown, the

general level of wages has risen considerably with the changed conditions. It is by reason of the changed nature of manufactured products that the opportunity exists for large total earnings. In the production of munitions the amount of work which is put into an article before it reaches its final form is far greater than the labour expended upon an ordinary article of commerce. Steel which formerly assumed final shape as a railway rail now passes through a multiplicity of processes in order to become an exquisitely finished shell. Each of these modifications involves a certain labour cost. There may be now twenty processes instead of four before the finished article is reached, and thus very naturally with the multiplication of manufacturing processes we have a multiplication of the wages bill.

In endeavouring to trace the action and reaction of war conditions upon industries vitally affected, general conclusions have been avoided. Few general statements on so complex a subject as the wage system and its workings could possibly be true outside a very limited area. One feature is, however, very noticeable. The highest wages, actual or possible, resulting from war conditions are found in those industries in which the workers are most thoroughly organised. The effect of Trade Union activity has been to ensure to the wage system a flexibility which it could not otherwise possess. The gulf between organised and unorganised labour has been widened by the operation of the extraordinary conditions. Organised labour has found means to expand its wages to correspond with or even to overpass the increase in the cost of living or the decline in the purchasing power of money. The demand of organised labour is that the worker shall maintain a relation equal to that which he has in normal times; and this is only possible by an increase in earnings, and in some cases there is a deliberate effort to use the needs of the time to win concessions hitherto withheld, or to establish new and higher rates of pay. The maintenance of the wage system in the munitions industries involves grave injustices. The vagaries of its working are plain enough. It is as if we had an army in which each soldier received the wages which he customarily earned in civil life. In any case, its effect is bad. High wages during this great war create a false sense of prosperity and security; moderate wages blind a man to the fact that the country is really fighting for its life, that it is not his life, but that which he can contribute to the country's service which really counts; while low and inelastic wages breed misery and discontent. A reduction, indeed, to the absurd if it were not so tragic.

## THE POSITION OF THE WOMAN WORKER AFTER THE WAR.

*The New Position.*—The present article is not intended so much as a forecast of the future, for which, indeed, the writer professes no capacity, as an indication of the forces making for new and more rapid developments of the woman worker's position, and of certain other forces which tend in the opposite or conservative direction. It is not difficult, with some care and attention, to see what are the main tendencies that govern our social life; the difficulty of prophecy lies in the fact that with our limited knowledge we cannot measure the relative strength of those tendencies, nor can we, of course, allow for the new disturbing factors that may occur. But it is possible to show the direction of some of these tendencies, as exemplified in the industrial life of women to-day.

The war has perturbed the economic position of women very violently and sometimes in contrary directions. The first phase was the throwing out of work of vast numbers of women employed in making the comforts and luxuries of everyday life in peace time, especially the comforts and luxuries supplied to the more favoured classes. Also the women employed in industry for the export trade suffered heavily through the closing of enemy markets and other causes. This phase of the war is to a great extent a thing of the past. It may also be a thing of the future. No doubt even at present some women, the older and less adaptable and those possessed only of some highly specialised types of skill, are still suffering from unemployment, and unemployment of this kind is apt not to be adequately measured by statistics, for the reason that the unemployed do not register at Labour Exchanges, and therefore do not get counted at all. But for the present this suffering is probably not very severe.

A secondary effect of the war was the immense demand for women's labour occasioned by the rapid extension of the armament and equipment industries, combined with a parallel depletion of



the supply of male labour, to satisfy the needs of Army, Navy, munition making, and engineering. Thus the demand for women workers has increased on two distinct lines :—(a) the industrial processes on which they were already employed in many industries, such as woollen and worsted, Army clothing, leather work, munitions, &c., suddenly required many more workers than before ; (b) industrial processes and certain occupations in which women were not previously employed, or not to any considerable extent, lost many of their male workers, and the women have been put into the vacant places, either directly, by training them to do work previously done by men, or indirectly by a rearrangement of process, increased subdivision or lighter machinery, adapting the work to be done by women. It is at present somewhat difficult to estimate the extent to which women's employment has increased, and considering the importance of the subject it is to be hoped the Board of Trade will ere long give us further information in continuance of the reports on employment issued in the earlier months of war. The principal Lady Inspector of Factories estimates the increase of women employed in industry at 100,000 ; and as her report for 1914, having been considerably delayed in publication, may be assumed to have been completed early in 1915, the increase up to date, therefore, can hardly be less than 250,000, or perhaps 300,000. If transport and commercial work were included it might be much greater still.

That it has been considerable is now a matter of common knowledge and observation. In engineering works, although the unwillingness of some employers to train women, and unfortunately also the objection of trade unionists to admit them, have limited the employment of women, yet in certain works where conditions have been more favourable women have been most successfully introduced and have astonished observers by their capacity for new and unaccustomed work. In other directions, such as retail shop and transport work, women have been introduced to posts which it is somewhat surprising they have never filled before, such as ticket selling and collecting, and lift attending. Service behind the counter has been considerably extended. The banks have admitted women clerks, and other commercial and financial undertakings have extended their employment.<sup>1</sup>

*Conflicting Forces.*—The increased opportunity in industrial and commercial work which has been demanded for women with growing urgency for half a century is now an accomplished fact,

<sup>1</sup> For a more detailed account of the extension of women's employment in war time, see Report on Outlets for Labour after the War, British Association, 1915.

and the question becomes of great interest whether this development is likely to be permanent. I endeavour to represent the considerations which are urged for and against, as below :—

*Factors tending to promote (A) or restrict (B) the industrial employment of women after the war.*

	(A. For.)	(B. Against.)
Causes affecting demand for women's labour.	I. Need for increased production.  II. Death and disablement of many male workers resulting in a scarcity of labour, and in	I. Destruction of capital and consequent restriction of employment. Temporary nature of war work.  II. Return of some unknown proportion of men from the war to ordinary employment, resulting in lessened demand for women, and in an
Causes affecting the supply.	III. Restricted prospect of marriage for women = greater need to earn  IV. Increased taxation = decreased employment on luxuries = more women available for industry.	III. Increased marriage rate: possibly an increased birth-rate  IV. Married women leaving work after stress of war.
Socio-psychological.	V. Women desiring to retain the footing they have won.	V. Increased solicitude for children.

It will be seen that the tendencies counterbalance one another unless we can forecast on which side the forces working will be strongest, and we must therefore consider the state of things expressed in the table more closely. In the first place, on the A side, it does not take much reflection to see that the extension of women's employment through the war is in harmony with the general trend of the industrial revolution, which for a century and a half has been calling women workers to wage-earning employment outside the home. Tendencies have been intensified which were already in operation, but retarded by the conservatism of peace-time. Speaking broadly, the growth of capital and the use of labour-saving machinery tend to the displacement of the more by the less skilled worker within the industry. In the stress of a great emergency the sluice-gates of conservatism slowly opened and the flood of women rushed in to fill the void.

So far the problem seems of a fairly simple nature; there are, however, other considerations which serve to complicate it. In the first place, a great deal of the present expansion of the muni-

tions and equipment industries in the very nature of things must be temporary and not permanent. Even a strongly militarist nation such as Germany could not keep these industries on a war footing in peace time, and the present orgy of slaughter must perforce be followed by a period of recuperation to make up for the waste of national resources. Moreover, the destruction of capital in itself must tend to produce some shortage of employment, if not immediately after the war, yet probably (judging by the analogy of the Franco-Prussian War) following it after a lapse of a few years, and although some persons no doubt have made large fortunes during the war, many others have lost heavily, whilst the weight of taxation will considerably restrict the spending power of the upper classes and the *bourgeoisie*. This will restrict the employment of women in the traditional occupations which are largely bound up with a high standard of comfort in those classes. To these restrictive forces we add the consideration that, after all, although the number of male workers will be sadly diminished through death and disablement, still we hope two or three million of men will return to normal employment. They will, no doubt, endeavour by various more or less polite methods (of which we may hope marriage will be the chief) to oust the women from their temporary posts.

If the forces affecting the demand for women's labour after the war will not, as we have seen, pull all in the same direction, there will also be conflicting tendencies in regard to the supply. It is quite true that, as recently pointed out by the *New Statesman*, the women who marry and leave their industrial work form a reserve of labour which can be drawn upon in time of emergency. They have industrial experience, can return to their previous or other similar process, and probably be much more effective than the middle-class volunteer. It might be well worth while for manufacturers at the present juncture, as suggested by the *New Statesman*, to consult the convenience of married women by employing them for short shifts or half-time, so as to mitigate the strain of industrial and home work combined. But whether an extension of married women's industrial employment is likely to continue after the war appears doubtful.

We have a constantly falling birth-rate and an infant death-rate which, though greatly reduced, still moves near 10 per cent., and has lately increased. We have also to face a terrible depletion of young men of the present generation. No problem can be more vital to us than the saving of infancy and young life. The lower birth-rate of our Ally, France, and of ourselves from many points

of view is no doubt a mark of a higher civilisation and a finer type of humanity, but the power of rapid recuperation will be relatively less with us than with the enemy, and it will be necessary to put our best thought into the preservation of the children who are born. Increased thought and care for children has been a notable feature of the present century. The child has become recognised as an object of importance to the community, and by some vague, half-understood process of conversion society has begun to feel that it owes a duty to the future, or, in other words, that it owes its own future existence to the child and the unborn. The growth of institutions such as municipal health visiting, school and infant clinics, infant consultations, and so forth means the formation of a body of opinion which becomes more and more articulate against child neglect. Besides the women teachers, we now have a large number of women who follow professions and occupations such as those of the school doctors, sanitary inspectors for a large part of their time, health visitors, doctors, and nurses who specialise in children in clinic work, &c., Care Committee organisers, and others with less well-defined posts, including a good many volunteers who give a large part of their time to the care of children. It may be said, it is said by some, that these officials and voluntary workers are doing the work the children's mothers should themselves do, but this objection seems to have little justification. In point of fact, social work on behalf of children is not an effort to replace the parent; it is much more a new effort to do work that was previously not done at all. It does not supply the place of parental interest, but serves to supplement and guide that interest, give it a better definition, even perhaps in some cases to awake an interest that was previously dormant through ignorance and lack of stimulus. The medical adviser of school or clinic, as a matter of course, calls for the mother's attendance, and will not be satisfied unless someone is responsible to give the necessary attention to Tommy's ears or Polly's chest, knowing well that otherwise the little invalids will not profit much either by advice or medicine.

The recruiting of women for industry will no doubt go on briskly, but it will have to be limited by the needs of the rising generation, and improved care of children means more work; it means more women taking up the subject as a life's work and profession; it will probably mean the introduction of new forms of municipal service, "home helps," and so forth, to lessen the burden of housework on women at the times of having infants, and it will probably mean some kind of social provision to enable

mothers of young children to give up their industrial work for a time, so that the child should have proper care and attention. The system of granting allowances to soldiers' wives relative to the number of children is one which may perhaps be followed in the case of widows and wives of men who are not physically capable of work, and all these forms of care for the child tend to lessen the economic pressure which is the main cause of married women's employment. Solicitude for children will be emphasised from two directions, by those who regard life as sacred *per se* and look to see the development of humanitarian ideals in the future and the growth of nobler and finer forms of society than those which are at present engaged in the struggle for mutual destruction; and also by those who sincerely believe in militarism and desire the growth of population to feed the great armies they hope will be maintained in the future. The childless wife and widow, when of suitable age, can be drawn on, but the main source from which female labour power will be recruited in the near future will thus probably be the young single woman; a source which will be augmented by restriction in the prospect of marriage. That she will retain her place in commercial work and in certain posts in transport work (such as booking clerks) there can be little doubt. Her place in industry will be opposed more warmly, and may occasion some of the most arduous battles of the future.

*Dilution of Labour.*—The dilution of labour is regarded for the present as a national necessity, which perhaps it is. Some, however, foretell that the war will be followed by another period of great activity in production, and that the losses in men will cause dilution to be maintained in the engineering trade as a permanent arrangement. If so, the change cannot be viewed without grave anxiety. The progressive substitution of the less for the more skilled labour which has characterised the course of industrial evolution involves some of its most difficult problems.<sup>1</sup> It is not merely a conflict of interest between the few and the many; it is a conflict between different needs of the community itself. There is the need of quantitative production, the rapid turning out of large stocks of goods. This is always a need where

<sup>1</sup> The present tendency appears to be not so much for the substitution of the quite unskilled for the highly skilled, as for the replacement of large numbers, both of the highly skilled and unskilled, by large numbers of the semi-skilled, supervised by a very few highly selected workmen. See Cole, *Labour in War-time*, p. 283. The semi-skilled worker, aided by machines that take the place of the skilled worker, gives women an opening to replace men; it also makes it increasingly imperative that women should be organised, and, where possible, in one union with men.

large masses of population are in poverty ; and for special reasons at the present moment the need of rapid production and the accumulation of vast masses of material is imperative. No one, however, at this time of day will maintain that society could permanently satisfy itself on these lines. The need for craftsmanship, for a high order of skill, and for efficiency which is something more than the mere achievement of breathless speed, in work cannot be permanently ignored. The sharp separation of control from manual work, the arbitrary identification of the former with the ownership of machinery were the main features of the industrial revolution in its early stages. Such a system may be a very effective means of securing a vast and rapid output of material goods. But it breaks down all along the line where the higher needs of humanity are concerned, from the point of view of qualitative production, the maintenance of a high degree of manual skill, or, generally, the distinctively human and spiritual needs.

The replacement of men by women also involves some conflict of interest. It is desirable for society as a whole that skilled craftsmanship should be maintained ; it is also desirable that women should enjoy a wider and fuller opportunity than in the past. The needs of society cannot be satisfied when such a question is regarded from, and decided by, the point of view of profits alone, without representation of the groups whose interests are vitally concerned. Such expedients as dilution of labour, or scientific management, however useful when an increased production is the need of the moment, may easily be turned to the purpose of degrading skilled workers to the rank and wages of the unskilled, or of breaking organisation, or doing away with skilled craftsmanship. Suspicions of such purposes cannot be called groundless, remembering the industrial history of the past 150 years. As with the industrial revolution a century ago, so with war conditions now, it is the manual workers who make their scarcely articulate appeal for the higher and more permanent ideals of workmanship. Such an appeal cannot have very much attention at a time like the present, but if the engineering trade is really likely to be transformed by dilution, the State will surely have to adopt measures for the deliberate fostering of the higher skilled crafts. The experience of recent years also suggests that the co-operation of workers, both men and women, in the control and direction of industry, is becoming more and more necessary. The institution of committees of management on which the workpeople are represented is not a merely Utopian one. Such

committees are at work in Switzerland, in connection with the Consumers' Union (Verband Schweiz Consum Vereine), and they are consulted by, and advise the management of, the firm on questions relating to wages, conditions of work, and the internal organisation of the factories. A modified form of these Swiss Workshops' Committees is being tried by Mr. Edward Cadbury at Bournville.<sup>1</sup>

*Conclusion.*—Some other considerations arise out of the foregoing attempt to set out the facts of a complex situation. The young girl has become a more important factor in the national economy, and her productive powers are heightened by the influence of feeling. Many have brothers or sweethearts at the Front; some have been made widows without even becoming wives. Thus the appeal of patriotism, which may or may not be of itself a clamant one, is translated into the intimate personal appeal of affection or bereavement.

The experience of the months of war shows that it is not difficult to get working girls to endure considerable strain and make a tremendous effort at a time of national emergency. But the imperative needs of the present should not blind us to the equally exigent needs of the future. To use up the vitality of the young girl in factory and workshop is a suicidal policy. Factory rules and regulations have been largely suspended for the duration of the war, but it is to be hoped will be re-enforced at the earliest possible moment. The close economic relation between welfare of workers and efficiency in production has long been realised by the best employers, but a stimulus is needed for its general recognition and acceptance. Organisation of women workers and steady unremitting pressure by the inspecting authorities are vitally necessary to protect our young women at their work. They must be better paid and better nourished. The war has, however, certainly stimulated thought and care for the welfare of employees. The need of good food for industrial workers, for instance, has obtained fuller recognition in these later months of war than ever before, partly no doubt from a perception of the possible consequences of neglect.

Another important consideration that emerges at the present time is the need for opening higher posts to women and giving them positions of greater responsibility. The appeal to the patriotism of women should not be coupled with the old customary policy of restricting them to the hard, dull, monotonous work that men do not want to do. They must be given a chance

<sup>1</sup> *Labour Year Book*, 1916, pp. 254-5.

of rising to the more dignified occupations and the posts of greater amenity and responsibility. Women are needed in the direction of industry. To such questions as those indicated above, the industrial employment of married women on short shifts, the dilution of labour, or the substitution of women for men, working women would bring a grasp of detail and a perception of the facts in their reaction on the family and the household which men, however able, do not always possess. In the factory, in the trade union, in the office, it will become more and more apparent that if women are to do their share of work to the best advantage they must also take their share in the planning, arrangement, and co-ordination of means to ends.

B. L. HUTCHINS



## JAPAN'S FINANCIAL OPPORTUNITIES

THE war has turned many things upside down and produced many situations which before its outbreak were undreamed of. The British Press is sensible of the advantages of having Japan as one of our Allies, and very rightly expresses satisfaction at the assistance which she has rendered in the Pacific. But what is by no means so widely realised is the fact that the war has completely transformed the position of Japan in the matter of international trade and finance, has transformed it in a way that Japan has long desired, and has struggled much to bring about. Ever since she entered the sphere of international trade Japan has fought hard to obtain what she considered an adequate gold reserve, and the war looks like making her a present of this greatly wished consummation. For, while her share in the actual military operations has been comparatively small, she is playing her part in supplying the allied nations with war materials and foodstuffs, and is increasing her output of general manufactured goods to an extent which, while small in comparison with the supplies coming from America, has been sufficient to alter completely the former trend of the balance of trade. So Japan is exporting more than she is importing, and her gold reserve swells visibly every week.

On December 31st, 1914, the total gold reserve of Japan was ¥341,000,000; on December 31st, 1915, it was ¥512,000,000: these bare figures require a little explanation, afterwards to be given, before being accepted fully, but they indicate sufficiently that something is happening.

The financiers of Japan, political and commercial, would probably repudiate the charge of being mercantilists, and their professors of political economy are rather fond of affecting a judicial attitude, half-way between mercantilism and that "obvious and simple system of natural liberty" dear to the heart of Adam Smith; they like to say that "the former is not entirely bad, nor

the latter wholly good," a most wise judgment, except that in practice we are for the most part compelled to adopt the one or the other, and may not choose both.

Japan is far from having any such complicated and cumbersome system as that under which England laboured 150 years ago; but she has an import tariff of 647 items, by the manipulation of which it is sought to "discourage imports," and to direct them in the way they should go; she pays many bounties, grants exemptions from taxes, and dispenses other favours with a view to increasing production and "encouraging exports"; and a "favourable balance of trade" is an object of constant solicitude. And the avowed purpose of all these operations is to "increase the gold reserve of Japan." Until the new tendency created by the war had set in, the public speeches of Finance Ministers and other financiers in high places turned mainly on the urgent need for doing something to increase the gold reserve.

Japanese financiers can scarcely be said to have deliberately chosen this out of a number of optional policies; they doubtless feel—in their own minds, at least—that they have been driven to it by force of circumstances. It is well within living memory that Japan has been opened up to foreign trade, and a gold reserve is one of the many things which have had to be created—almost out of nothingness, so to speak—within that period. The struggle was a very arduous and perplexing one; among all the triumphs of the Japanese during the last fifty years, none, perhaps, is more remarkable than the long-continued and finally successful effort of Count Matsukata to establish the currency on a gold basis. When at last the thing was accomplished in 1897, by the aid of the Chinese indemnity, it seemed to the Japanese mere folly to regard what had been so hardly won as an object for "free trade," to be doled out to all comers without let or hindrance. Accordingly, the import-checking, export-encouraging programme was developed, and while nominally Tokyo became an open market for gold, with the Bank of Japan notes fully convertible, yet the authorities exerted their influence against any gold exports on the part of private firms, much in the same way as the Reichsbank has been accustomed to do. What form the discouragement takes is not known to the general public, but in this land of subsidies, bounties, special exemptions, official encouragements, Government provision of cheap capital, semi-Government banks, and all the rest of it, it is not difficult to conceive of a score of methods by which it might be done. One, at any rate, of their devices is, that Japanese shipping lines, by order of the Govern-

ment, charge a practically prohibitive rate on the outward shipment of gold, and it is an understood thing that the Government and the Bank of Japan are unwilling for private concerns to take upon themselves to export gold. There is no open prohibition upon export, of course, and the Government and the Bank have themselves been compelled to part with large amounts, but they like to keep the business in their own hands as far as possible.

But what may originally have been regarded as a policy of necessity now seems to be loved and cherished for its own sake, and it must be avowed that the commercial and financial leaders of Japan have become devoted adherents of a policy which in essence is mercantilism. It is probably asking too much to suggest that Japan should withdraw from this path of State-aided and State-encouraged commerce and industry, when so many other nations continue to walk in it; and in these days especially, when increased economic pressure and the greatly enhanced national feelings excited by the war combine to promote and sanction these "positive" policies, it is like crying in the wilderness to raise a voice against them. But the student of economics, while recognising that such feelings are a natural product of the times, must still continue to think them pernicious when they take this direction; and in Japan the numerous and varied forms of mercantilist activity seem to provide so many opportunities for a relaxation of the "positive" policies and for a return to more wholesome ways. And if the gold reserve really is, as so often declared, the object of solicitude of these "positive" policies, then this above all times seems to be the favourable moment when, under the more expansive and generous influences of a largely increased reserve, a beginning might be made in getting rid of some of the old practices.

To begin with a small matter somewhat off the main line of the argument, the present would seem to be an excellent opportunity for the authorities to abandon their policy of semi-secrecy in regard to Governmental and banking finance. In addition to keeping an account with the Bank of Japan, the Government to some extent manages its own money matters, and, after the manner of the United States Treasury, keeps a gold fund of its own; but, unlike the United States Treasury, the amount and movements of this fund are not usually disclosed to the public. An announcement was made that, on December 31st, 1915, Government held ¥152,000,000 of the total, the remaining ¥360,000,000 being in the hands of the Bank of Japan. It would appear that the Treasury is in the habit of importing and exporting

gold direct—that is, without the intervention of the Bank of Japan; the method of internal operation of the Treasury fund is, that the gold is exchanged at the Bank of Japan for notes, and *vice versa*, according to the respective requirements of Government and the bank. No doubt the finance management is essentially sound, though it seems rather cumbersome, but the main point is, that business men frequently complain that they never really know how the country's finances stand, that their own calculations are frequently falsified by the effects of some of these secret movements of gold. The bank, it is true, publishes its weekly account, but with the unknown funds in the Treasury vaults almost next door, and the frequent interchange between them, no man can tell whence the gold cometh nor whither it goeth. A Japanese professor of economics in one of the Government institutions remarked to me that “there seems to be some confusion about the country's gold reserve.”

A still further confusion is introduced by the fact that the authorities are in the habit of keeping a gold deposit in London, for various purposes connected chiefly with its foreign loan operations. The amount of this reserve also is not regularly published, and its precise nature and whereabouts are not a little doubtful; it was once admitted by a finance Minister that part of this fund had been employed in the purchase in London of the bonds of the Industrial Bank of Japan, one of the Government *protégés* which had run into rather low water. On December 31st, 1915, no less than ¥382,000,000 out of the total reserve of ¥512,000,000 was classified as being held abroad, much of it in the form of British Exchequer Bonds.

Figures of “Japan's Gold Reserve” may therefore mean any or all of three funds, viz., the Bank of Japan's gold fund, the gold in the Treasury, and the gold reserve in London; and the term “gold” is sometimes made to include sundry securities, more or less gilt-edged. During recent months, since the increases in the reserve made it a subject of gratulation, frequent announcements of the totals have been made. It would be most satisfactory if a precise weekly account of all these various reserves might in future be given to the public. At one time a regular return was published, and there is no good reason why the practice should not be continued. Bagehot refers to the beneficent and steadying influence of definite knowledge of the state of the gold reserve, compared with the vague alarms occasioned by ignorance.

The next step would be that Japan should use her gold resources for the purposes for which they are commonly supposed to be

held. It may be mentioned in passing that the Japanese have almost outdone the Americans in their preference of notes to gold for ordinary currency purposes; gold coin is practically never seen by the ordinary citizen, and the ordinary provincial shop-keeper would regard it very dubiously. In the present condition of public feeling it is impossible to conceive of a run upon the Bank of Japan for conversion of notes into gold. It would therefore appear that the other chief purpose of a gold reserve to meet foreign demands might be all the more adequately filled. Of course, a nation that would be called solvent must be able to meet all its liabilities, but surely it is ordinary business and ordinary common-sense to deal with one liability more effectively when another presses less heavily.

As before stated, however, the Japanese follow the plan in vogue in various other countries; while notes are nominally freely convertible, the Bank of Japan privately frowns on such transactions when intended to furnish gold for export. This general question of gold reserves is one of many which it will be possible to answer more fully when we have seen the financial developments which will follow the end of the war, and Japan will be able to profit by whatever lessons may then be learnt. If, as many believe, the vast accumulations of gold in the hands of belligerent nations shall be found to be perfectly useless, except, perhaps, for the payment of indemnities (even so a questionable advantage), it may be hoped that this country will cease from devoting so much time, energy, and capital to the mere accumulation and storage of gold, and will learn to regard that metal as a live, active, economic agent, really to be used as the "medium of exchange" which all the text-books describe it to be. Japan is no longer a beginner in the economic career; she can no longer regard herself as having a precarious footing on a difficult path, as struggling to obtain and to hold a mere handful of the elusive yellow metal. Her credit is now stable, her gold supply adequate to her needs; let her give to herself the benefits of an open gold market, paying her debts freely through whatever channels may be most convenient to her merchants.

That the authorities, who reserve to themselves the business of handling the gold, have not been negligent in the duty is obvious from the notable steadiness of exchange. During seventeen years from 1898 to 1914 the lowest value of the yen in sterling was 2s. 0½d., and the highest, 2s. 0¼d., though the latter figure has recently been far exceeded. Even so it would appear to be possible to secure a slight improvement, the average rate of

the yen for the same period being 0'151*d.*, or 0'61 per cent. below mint par, the New York rate being still less favourable, namely, 0'341 cents, or 0'68 per cent., below mint par. These are appreciable deficiencies to pay upon the trade of seventeen years, and rather greater than would be caused by the general tendency of exchanges to run in favour of London, which is itself partly the effect of the closing of other gold markets. But the added credit and prestige of mercantile houses who could command gold whenever they chose would be the greatest advantage to be gained from the open market, the development of robust, enterprising private firms, of stable and recognised credit, being one of the great needs in the progress of Japanese trade.

During the last twenty years it would have been impossible for Japan to have maintained the exchange value of the yen or to have retained her stock of gold, without frequent recourse to foreign loans, contracted by central and local governments, and by the larger business concerns. One of the large facts about Japan is, that imports have usually been vastly in excess of exports; another is, that the internal supply of capital is inadequate to support the rapid rate of development of the country. On account of these two facts, the money market has periodically come to the point at which a new foreign loan was essential, either to maintain the exchange, or to supply funds to the money market, or for both of these purposes. Such a point had been reached in the summer of 1914, and a loan from Paris was being discussed, when the outbreak of the war both terminated the negotiations and removed the need for them; but it is reasonable to expect that when normal conditions have been re-established after the war, the same state of affairs will recur. This may be regarded as a perfectly reasonable and legitimate procedure, so long, that is, as the proceeds of the loans are devoted to really productive purposes. Economically, Japan is a new country, equipping herself for the first time with all the modern mechanism of production, and ever since the days of Adam Smith at least it has been recognised as a normal procedure that a new country should import quantities of foreign capital to assist in developing its resources. One of the common criticisms of the Japanese authorities is, that by various restrictions they impede the importation of foreign capital, and it may therefore be presumed that the actual quantity imported is not in excess of requirements. It will be quite in accord with sound economics if this procedure continues; and if a replenishment of the gold supply is found necessary at any time, the proceeds of foreign loans may be

imported in the shape of gold just as well as in the shape of merchandise.<sup>1</sup>

The only alternative to these contentions is that the gold hoard is intended for the emergencies arising from war, a subject which it is unnecessary here to enter upon, except to remark, perhaps, that if the nations of the earth are going to hoard gold merely to serve as spoils to the victor, and if any part of the misery of war is going to be endured merely for the sake of transferring possession of these otherwise useless hoards, then it would seem that the sooner all the gold on earth is buried in mid-Atlantic, the better it will be for the happiness of mankind.

On several occasions the Japanese Government has consented to act as guarantor for loans raised in foreign countries, a matter which has called forth considerable comment, and seems likely to do so again. Foreign investors naturally prefer to have their Japanese securities backed by the Government, which means that those interests which are not fortunate enough to secure this favour are compelled to pay a higher interest for their accommodation. It would seem that here also the stage has arrived in which the Government might safely leave large corporations to make their appeals for funds upon their own responsibility, for only so can they come to have the reputation of being worthy of credit, and the invidious and unfair distinctions between those who have, and those who have not, been favoured with the Government guarantee will then be removed.

This leads on to the various other methods by which the Government has been in the habit of supplying capital at interest cheaper than market rates; and then we are upon the threshold of the bounty question, especially those upon shipping, of which it was recently stated in the Diet that, even in these days of enormous shipping profits, they still had to be paid to maintain certain otherwise unprofitable services.

But it is not necessary to labour the matter further. These principles are old, and often advocated. The thing which is new

<sup>1</sup> In the *American Bankers' Magazine* for December, 1915, Mr. Seay, Governor of one of the new Federal Reserve Banks created under the recent Act, mentions that the total gold holdings of the Banks of England, France, Germany, and Russia increased by £37,000,000 during the first year of the war, and the liabilities on deposits and note circulation by £880,000,000, and he anticipates a great increase in competition for the possession of gold. This is undoubtedly true, but the same rules as hitherto will govern the game; the gold will go to the highest bidders, and those who hold and refuse to surrender will pay the market price just as surely as new buyers; in addition to which they will pay something for not using their reserves for the purposes for which they were intended. Without doubt it is by using, and not by hoarding, gold that the benefits of its possession may be attained.

is the great opportunity which Japan has of taking the plunge and ridding herself of some of these old shackles. It is not from thinking lightly of Japanese commerce and industry, but from thinking well of them, that I venture to suggest a relaxation of the policy of restriction, control, and special indulgences. The Japanese have the vigour and the abilities to make and hold for themselves an honourable competency in the world's markets, if only they can enjoy free scope and opportunities; but the enervating influences of extensive Government action are everywhere apparent in a dependence upon official assistance, a continual looking to the authorities to support and further any new enterprise that may be evolved.

Though one of the Allies, Japan is really outside the vortex of the strife at present raging in the world; she is neither inflamed by the passions of war, nor weighted down under its economic burdens. On the contrary, she is profiting by the relaxation of competition the world over, by the enormous demand for the materials of peace and war, and by the prosperity of the shipping interests. No nation ever had so good an opportunity to establish its economic life upon firm and healthy foundations.

T. H. SANDERS

*Yamaguchi, Japan.*



## REVIEW-ARTICLES

### CENTRAL EUROPE AFTER THE WAR

*Mitteleuropa.* By FRIEDRICH NAUMANN. (Berlin: Georg Reimer, 1915. Pp. viii + 299.)

To be unprepared for peace is almost as dangerous as to be unprepared for war. With the British Empire it is perhaps even more dangerous. The extent of our Empire and of our sea-power and the strength of our alliances gave us time to put on our armour after the war had broken out. Once, however, effective negotiations for peace have begun they ought to be perfected as quickly as possible. Unless the nations concerned have made up their minds on the principles and limits of possible peace, the peace will be no better than a mere cessation of war by exhaustion—more like the peace of death than the peace of God. Even supposing that it is a fight to a finish, and that one side (our own side) is completely victorious, we cannot simply lay waste Central Europe and sow its lands with salt. We cannot even dictate terms of peace altogether regardless of the opinion and the hopes of our adversaries. The British Empire is by long tradition tolerant and generous. Its structure is as composite as that of the world itself, and its sympathies are in consequence world-wide. We desire to fulfil the reasonable expectations of all other nations. Everything turns on what is reasonable in the circumstances. We want to know what are the real aims of our present enemies, and what, in the light of the present war, will be the main lines of their policy after the war. We want to look at the questions that must be answered before the great peace from all points of view, including that of our enemies. We must take account of the fact that the war itself, whatever the military results, must change many fundamental ideas of national policy. The inter-relations of the States of the British Empire will be different, so will the inter-relations of the Central European States. International policies must be modified by these changes in national policies.

In this JOURNAL we are only concerned with economic policy,

but the economic problems of the coming peace are of the kind and breadth that were discussed by Adam Smith, whose large ideas of future progress were always conditioned by "the circumstances of the society," by "the prejudices and the interests of the times," and other disturbing causes which lie beyond the domain of any pure theory of economics. Even J. S. Mill, the great exponent of the deductive method, was obliged to admit that in one great group of economic problems it was not possible to confine the attention to economical considerations alone. A similar breadth of view is desirable in discussing the economic problems of the coming peace. And such is the breadth of view in the work recently published by Herr Friedrich Naumann on Central Europe, a work which is said to have had a phenomenal success in Germany, and to be there regarded as quasi-semi-official in its suggestions of after-the-war policy.

Apart from any kind of hyphenated authority, the book provides, in a very convenient form, a conspectus of the facts and the circumstances, the opinions and the prejudices of the principal enemy countries, such as they were before the war, such as they are in the war, and such as they are likely to be after the war. "Reading maketh a full man," and the repast offered in *Mitteluropa* is a very filling repast. But it is much more than a mere array of substantial facts. The success of the book in Germany is not in itself a guarantee of its success with the English reader. There have been since the war many successful books in Germany which, to recall a Dantesque expression, are worthy of silence. We have been so deluged in this country with extracts from prose versions of songs of hate and the like that at first sight the invitation to read through Herr Naumann's three hundred closely printed pages (in German character) in search of the reasonable expectations of the Germans does not seem very attractive. Be it said, then, at once that the work is quite different from the typical war literature of Germany. There is nothing in it from beginning to end—not even in tone or insinuation—that could give offence to any nationalist of any country. It is also quite different from the typical German work of peace-time. It is eminently readable. The learning and the labour are hidden away in the foundations or stored for reference in an appendix. The style is lively and well-garnished with similes and humour. The argument is genial and (from the German standpoint) sweetly reasonable, but by no means sickly sweet. There are some bitter home truths—for the Germans. The Utopian is eschewed. There is no dream of universal peace. On the contrary, the main trend of the argument

is that wars must come in the future and that the first duty of the new Central Europe is to be prepared for war. The pleasing literary style should not delude the reader into supposing that the argument is not solid and well-balanced. It is, indeed, so solid and far-reaching that a short *résumé* is impossible. Instead of trying to outline the general treatment section by section, it seems more profitable to call attention to some of the foundational ideas and to some of the most significant results and proposals.

The book was planned, so the author tells us, in April of last year, when the Russians were being driven back from the Carpathians. Throughout it is implied that Germany will be victorious in the end, although the estimate of victory is what in business circles would be called conservative. There may be some bending of the international boundaries on the East or the West, but the extent of the bending does not much affect the main argument. What would become of the main argument if Germany were defeated is not conjectured. Victory is relied on to get rid of minor jealousies and to smooth away national friction. As one result of the war there is to be a kind of blood brotherhood. *Mutatis mutandis*, it might be thought that defeat would lead to mutual recrimination and insistence on national interests, but that is another argument.

One of the most remarkable of the foundational ideas is that even if the Central Powers are completely victorious neither Germany nor Austria-Hungary can stand alone. "*Klein und allein*" will mean destruction to Germany whatever the result of the war. This is not the cry of the eagle that we have become familiar with. But there is no doubt about the contention. The possibility of various alliances with other Great Powers is discussed in the most detached way. France, Greater Britain, and Russia are all weighed, and all are found wanting as allies, though the two former are said to be in theory quite possible. A similar argument is applied to Austria-Hungary. Still less than Germany can the Dual Monarchy stand alone. Isolation means partition. Therefore for both Central Empires the absolutely necessary solution must be a combination closer than any ordinary alliance—closer even than that maintained during the war. Germany and Austria-Hungary must be bound together so as to attain the maximum of military power, and, as an essential foundation, the maximum of economic power. This close union of the two Empires is the necessary foundation of the New Central Europe. To begin with, it would be useless to try to gather in the other outlying nations which it is hoped in the future will be added

to the New Great Power. The Northern nations and the Southern nations are for the present left out. First of all, the foundations must be well and truly laid before the full structure can be raised. The complete designs of the architect are not wanting in grandeur. "Sometime" he hopes that both France and Italy will find that their destiny is Central-European. Belgium is not mentioned by name—Herr Naumann is a great master of the art of silence—and Bulgaria, Serbia, and Turkey are put on the general waiting list for future admission to the Central-European State. Eventually it would seem that Central Europe is to embrace all Europe that is not Russian. But to begin with the author insists that the Union must not extend beyond Germany and Austria-Hungary. This is the maximum for a beginning, but also it is the minimum. Most of the argument for conversion is directed to Hungary. Hungary is absolutely necessary for the New Central Europe. The vanity of the Magyars ought to be flattered. Germany cannot stand alone, and the chief prop is to be Hungary. But there are difficulties. Somehow we are reminded of the Athanasian creed. Each of the three Unities of the future Trinity—which is not three States, but one Super-State—will have its own difficulties of give and take in the process of super-absorption. The new Central Union is to be a union passing the expression of treaties, but it is not to be a merely sentimental bond of affection, though there is some pretty writing—not quite so convincing as usual—from the brotherhood standpoint. Herr Naumann's reflections on the imperfections of treaties and the impossibility of taking into account all the possible changes of circumstances are noteworthy. He seems to think that treaties are made to be broken, or, at the least, are liable to be misunderstood and misinterpreted. The view is supported by the very latest of practical illustrations. The result is that the New Central Europe must be bound together by something stronger—far stronger—than any treaties or written covenants. But there are difficulties. Even the Germans—and especially the Prussians, and more particularly the little Prussians (Herr Naumann delights in the adaptation of English modes of thought and expression)—must give up the old habits of thought and of practice and take on the new. The case of Hungary is the most difficult, but the admission of Hungary as a full partner in the new political business is absolutely necessary.

There is a masterly account of the divergent interests of the three great nations (with their sub-nationalities), and the case against union is put so strongly that the appeal to necessity is, in

the end, the real solvent of the difficulties. To each of the Powers isolation means destruction—even to Germany. That is the whole burden of the argument. The demonstration is ruthless. It must be Central Europe or nothing. A most luminous account of the development of present conditions out of the past is an excellent example of that historical method which throughout has dominated the thought of the writer. His object, it is true, is to outline the project of a New Central Europe, but it is not to be made *de novo*. It must grow up in the manner beloved of our own Burke. Each of the three Unities is to surrender to the indissoluble Trinity what is necessary to the common good—military and economic—but is to retain all the national characteristics and functions that are not essential to the new State. Great stress is laid on the retention of original independence in all non-essentials. The old distinction beloved of the examiner between the *Bundesstaat* and the *Staatenbund* is brought in to clear up the ideas. The New Central Europe can never be a *Bundesstaat*—the *Staaten* must retain too much. At the same time, the distinction is shown to be rather one of words than of facts. The distribution of the appellation depends on the estimation of the value of the elements retained compared with the elements rejected. The real difference will depend on the nature of the binding.

Two points call for notice at this stage. If Germany cannot stand alone, *a fortiori* no smaller nation can stand alone. Herr Naumann takes it for granted that the day of the little nation is over. Every little nation must be, so to speak, a client or a dependant of a big World-Power. No little nation can ever again take any real independent part in the decision of peace and war. It must do as its dominant Super-State may direct. Sovereignty in the proper sense is reserved for the Super-States. Germany itself is too small for a Super-State—hence the need for a Central Europe. The New Central Europe must be big enough to balance Greater Britain, or Russia, or the United States of America—the other three Super-States. Herr Naumann seems specially impressed by the absorbent capacity of the British Empire. Why should the New Central Europe not show in the course of time a similar power? This leads to the second point of interest in connection with the disappearance of the sovereignties of the little nations. Herr Naumann has been greatly influenced in his project of a Central Europe by the course of British history and by the ideas under which the British Empire has been built up. He condemns the old Germanisation by sup-

pression—suppression of language and of race character—and he looks forward to diversity in unity. German toleration in religion after the style of the ancient Roman precedent is not to be wondered at, but toleration in education is also preached. Variation from the Prussian type is to be permitted and even commended. The difference between the old British Empire and the New Central Europe is that in the latter from the beginning in all essentials organisation is to be supreme. Organisation back from the eighteenth century has been the strength of Germany—that also is one of Herr Naumann's foundational ideas. A curious proof of Germany's superiority in organisation is given by Herr Naumann's answer to the very pertinent and interesting question : Why are we Germans not beloved by other nations? The Germans all the world over have been frankly astonished by the absence of love, not to say the presence in most cases of the other thing. Herr Naumann finds the solution in the jealousy in other peoples of the superior German organisation. Probably he is right. Organisation is a word of very wide import. It includes many forms of peaceful penetration which are distasteful to the people penetrated, especially when the full consequences are revealed in a state of war.

In the determination between essentials and non-essentials in the new State—how much is to be left to the Unities and how much taken up in the Trinity—a considerable debatable margin is left. In fact, in spite of the wealth of facts and history, the argument is in the main simply a reiteration of certain leading ideas. The precise application is left to the march of events—*solvitur ambulando* is the practical answer to most of the practical difficulties.

At the same time these leading ideas are by no means nebulous. They are made perfectly plain, and their practicability is shown in detail. The details may be changed, but they suffice to show how the thing may be done. Perhaps some better way may be found ; perhaps not. The point is that the ideas are real working ideas, and not emotional sentiments.

The root idea of all is power—Central European power—power in war and power in trade. The discussion of power in war is limited partly by the present existence of a state of war and the consequent censorship, and partly by the fact that Herr Naumann is a civilian. The treatment is certainly up-to-date—with one exception. The defence of the future, he thinks, will consist first in thousands of miles of trenches and barbed wire, and, secondly, in the accumulation of stores of all the materials

necessary for national existence—*e.g.*, food, raw materials, and munitions. Above all, there must be organisation—Teutonic organisation—to pile up and distribute the stores and to man the trenches and ensure the mobility of the Super-State forces behind. There is one omission. No mention is made of the air services. In the next forty years, however, warfare in the earth beneath may give pride of place to warfare in the air above. Perhaps the silence of Herr Naumann in this matter is due to the German censor. Herr Naumann, with his British ideas of toleration and humanity, could hardly have mentioned the air services without a condemnation of the sporadic bombing in the dark of the island of Great Britain. Incidentally, he may be pleased to hear that his present reviewer was privileged to witness a Zeppelin display in what the British censor calls the South-East of Scotland. It was not magnificent and it was not war; it was more like a railway accident than a military operation. The reviewer can well understand Herr Naumann's censored reflections. Perhaps, after the war, his views on this method of preparing for the New Central Europe may be published unrestrained in this JOURNAL.

One thing certain about the New Central Europe is that it is to be a first-class military State. There are dark hints that all did not work so well as outsiders were led to believe in the 'Central Powers' organisation in the present war. The defects are to be remedied by a thorough Prussification. Other nationalities may retain their war-trappings, &c., but the new Central-European army must be one. Not once, but repeatedly, it is asserted that the future is certain to bring forth more wars, and therefore the first duty of Central Europe is to provide for war. The new State is, above all things, to be a military State.

At the same time it is recognised that military power is inseparable from economic power. Accordingly, the economic arrangements of the new Union must first of all have regard to defence. Defence is of more importance than opulence. But opulence is necessary to defence, and opulence is the short name for "material interests." The new Union must be strong economically. It must therefore be so constructed as to secure to the component parts various forms of economic equality, including equality of opportunity. With this object in view an analysis is given—in itself most excellent—of the economic possibilities of each of the three great nations and of their sub-nations. The principal industries are classified, and so are the principal kinds of foreign trade. An equitable distribution is to be made of national resources, and account is to be taken of the different

stages of economic development. The details are liable to change according to experience, and must be read in the book itself. But the ideas that are here applied are of the utmost consequence as regards the after-the-war policy of other nations. They are of special importance to the States of the British Empire.

One of these provocative ideas is that in itself a customs union is not sufficient as the basis of an economic union, and its importance is liable to be exaggerated. In the main a customs union as regards the outside world is a thing to be desired, but such a union would affect very differently the different parts of the new Central Europe. The sudden and complete abolition of the present fiscal restrictions between Germany and Austria and Hungary would lead to disturbances of a ruinous character to important industries. The two latter countries could not withstand the full blast of German competition. In the same way, if the distribution of foreign trade were to be left to the survival of the fittest, Austria and Hungary could not compete with Germany in many branches which from the national standpoint it is important that they should still maintain.

The remedy for the possible evils of such competition is to be found in regulation, and the principal kind of regulation is the regulation by combination. Organisation by syndicates of various kinds is the recognised basis of the production and distribution of the new State. In some cases bounties and in others preferential duties may suffice, but for the most part a much more developed control is contemplated. Spheres of influence are to be assigned both in the home and in the foreign trade. In all the great industries and trades there is no place for unregulated competition. Its place as the primal force is taken by monopoly of varying degrees.

In this syndicating of industry and trade the interests of labour are not forgotten. Professedly quite as much attention is given to labour as to capital, and the profession is not merely verbal, but real. The author recognises that the basis of Central Europe must be democratic. It is true that in a sentence he disclaims the possibility of a republican form of government as non-historical, but it is always implied that the rulers must rule in accordance with the sentiments and the interests of the ruled. During the present war evidences have accumulated that it is not a war imposed on a reluctant people by a military caste, but a war backed by the full power of national opinion. Recent reports on the guiding ideas of the German trade unions seem to show that the German masses look on the war as necessary to promote



their material interests, and they frankly disbelieve that England is actuated by any other motives—*e.g.*, regard for treaties, the rights of smaller nations, &c.

The close connection between military and economic power in Herr Naumann's argument is perhaps responsible for the fact that in dealing with foreign trade he has discarded the old ideas of reciprocal advantage in favour of the still older ideas of mutual exploitation. Peace is war deferred or suppressed. There is no room in Herr Naumann's philosophy for Adam Smith's contention that the richer the neighbours of any State so much the better for that State. The economic policy of the New Central Europe is to be an aggressive policy, directed in every case to the end that in the distribution of the advantages of foreign trade Central Europe should secure the greater share.

There are many side-issues of great interest and importance in Herr Naumann's book. Such, for example, is the probable effect of the war on the development of State Socialism. From this point of view the recent advances of the Kaiser to the Socialists, as reported in the Press, are not so much dynastic as evolutionary. Industrial feudalism with the Kaiser as First Industrial is an old idea. Herr Naumann is of opinion that already the present war has shown that Central Europe is prepared to become a great Socialist State. The German defeat of the British blockade is ascribed to the adoption of Socialistic methods.

There can be little doubt that the policy foreshadowed in this book of Herr Naumann represents a large body of opinion both of the ruling official classes and of the masses. In case of a Central Powers' victory, or even of a drawn battle, the policy seems likely to be realised—that is to say, that a great Socialist military State will be established in Central Europe which in the course of time will endeavour to absorb the remainder of non-Russian Europe either by peaceful methods or by war. France, for example, is told that she will have to choose between playing the part of a somewhat bigger Portugal to England or taking her place with the Central European State. Germany cannot stand alone; still less can France, and still less can Italy.

Herr Naumann, it is true, writes very much under the influence of English ideas as opposed to the old Prussian ideas. One would suppose from his argument that already the Government of Germany is Constitutional, as we understand it, and that the Government of the New Central Europe will be still more Constitutional. The little nations are to be left full national independence—*except* as regards military and economic power.

*Except*—the saving clause is a wide one. Government by consent is to be the new watchword. But when all allowances are made for the influence of English ideas, the Central-European ideal is not the ideal of the British Empire. We cannot think of that Empire growing into a military, Socialist State. Our natural policy, however, must be modified by the policy of a neighbouring Super-State. We must be prepared for the possibility of a still stronger Central Europe.

J. S. NICHOLSON

#### WOMEN IN INDUSTRY.

*Women in Modern Industry.* By B. L. HUTCHINS. (G. Bell and Sons. Pp. xix + 315. Price 4s. 6d.)

*Memoranda Issued by the Health of Munition Workers Committee.* Nos. 1 to 10.

How long does it take for the civilised world to learn an economic truth? We might seek an answer in the fallacies which still cluster round the problem of Free Trade v. Protection; but that is a difficult problem, admittedly complicated by extraneous considerations. A far simpler issue is raised by the purely economic question of whether it pays to overwork the human element in production. So long ago as the first half of the nineteenth century it was demonstrated over and over again that it did *not* pay, that better results could be got from less work; but the lesson cannot be said to have been learned even yet—learned, that is, so as to have become instructive and inevitable, like the knowledge that the fire will go out unless supplied with fuel, or the harvest perish if water lacks, or machinery break down for want of due attention. Even the humanitarians who have been most diligent in demanding more consideration for the workers have generally thought it necessary to do so on the ground that industries which used up their workers were “parasitic” and so injurious to the community. And for proof of our “invincible ignorance” we need only consider what happened when the war broke out, and the men responsible for organising a vast extension of industry did so on the assumption that every increase in the number of hours worked meant an increase of output on the part of the individual worker.

We are led to these reflections by the survey of women’s industrial position contained in Miss Hutchins’ book, combined with the graphic accounts of the conditions under which munition workers have been employed which have been issued by the Committee on the Health of Munition Workers.

The former begins with a "historical sketch" which is not very enlightening; probably the material hardly exists for a history of woman's work apart from that of the family 'before the days of the "Industrial Revolution." But in her second chapter Miss Hutchins comes to grips with her subject, and skilfully and sympathetically traces the development of the position of working women throughout the eighteenth and nineteenth centuries down to the present time. She has not only mastered the documentary evidence, but has made herself personally acquainted with the industrial conditions of to-day; she cares much for her subject and writes well and clearly. She has, therefore, special qualifications for handling the wealth of material which has accumulated since the concentration of labour and its differentiation from home life first made factory legislation possible, and more especially since the appointment of women as inspectors. The general conclusion she draws from her study of these records is that, unsatisfactory as the position of the working woman still remains, she "has attained at least to the position of earning her own living and controlling her own earnings, such as they are. She has statutory rights against her employer and a certain measure of administrative protection in enforcing them" (p. xviii).

It is difficult, perhaps impossible, to say how far any degree of improvement is due to measures aimed directly at benefiting women, and how far it must be ascribed to the general strengthening of the position of labour as a whole. The best results are undoubtedly attained by the recognition that the interests of men and women are fundamentally inseparable. Miss Hutchins herself, whose tendency is to emphasise the separate interests of women, recognises that when men and women are employed in the same industry the right policy is for them to combine in the same union. Not only are difficulties of organisation much lessened, but the danger of men being superseded by lower-paid women is effectively guarded against. The organisation of women in their own separate unions is much like the task of drawing water in a sieve, so hard it is to attract them in, and so hard, again, to hold them there. Yet the work does advance, as the chapters on women in Trade Unions show; and a special effort is now being made in those industries to which the Trade Boards Act has recently been extended (p. 141).

It seems likely, however, that the best chance of organising the women with any degree of completeness lies in the development of industrial as contrasted with "craft" unionism. In an

interesting chapter on women's unions in Germany we are told : "The Germans hold that the organisation of the unskilled labourer is as important as that of the mechanic, and their great industrial combinations include all men and women workers within the field of operations, irrespective of their particular grade of skill. Endeavours are made to enrol all workers in big, effective organisations, and the success of these tactics has been most significant. While in Germany two and a half million workers are organised in forty-eight centralised unions, all affiliated to the General Commission (of Trade Unions) as the national centre, in England there are more than a thousand separate unions with about the same total membership. In England hardly one million Unionists out of the two and a half belong to the General Federation. These facts are not without bearing on the position of women workers. English working men complain of the competition of women ; the moral is, organise the women " (p. 159).

An analysis of women's wages, based upon the wage census of 1906, has been contributed in a chapter by Mr. J. J. Mallon. Here are given the "average" earnings of women in the principal industries in which they are employed, and an attempt is made to estimate how far women may be regarded as dependent upon their own earnings. The resulting figures are low enough ; the averages range from 10s. 6d. to 18s. 8d., and it is pointed out that where an average is given, from 40 to 50 per cent. of the women employed earn less, and in many cases very much less, than the average (p. 229). More encouraging is the undisputed fact that there is a decided movement in an upward direction ; it is estimated that in the textile trades the rates of women's wages have more than doubled in the last sixty years, and there has been a similar if not so marked an increase in other industries.

Not less important than the question of wages is that of the hours of work and its conditions. The human body must be sufficiently fed, and that depends primarily upon wages ; it must also have sufficient rest and congenial surroundings if it is to be efficient, and in modern industry these depend but little upon the wages. They depend almost entirely upon the intelligence and goodwill of the employer, for, even when the law intervenes, it is effective only when the employer accepts it whole-heartedly, and that is still far from being generally the case. Some, no doubt, of larger views and more sympathetic imagination, have reached understanding. "In the Factory Inspectors' Report for 1912 many cases are mentioned where employers have voluntarily reduced hours of work and find that they, as well as their work-

people, are benefited by the change. . . . The same may be said in regard to other improvements in working conditions, such as ventilation, cleanliness, the provision of baths, refectories, medical aid, means of recreation; those who have taken such measures have found themselves rewarded by increased output" (p. 202). That such enlightenment, however, is far from being universal even in normal times is shown by the extracts from Factory Inspectors' Reports given by Miss Hutchins in an appendix to her book.

But for convincing proof of how shallow an impression the lesson has made upon the industrial world, we repeat that we need only look at what has happened since the outbreak of war. It is in an emergency that a man or a nation act upon their fundamental instincts and beliefs; and in this emergency what the industrial part of the nation showed was, first, the determination to do their very utmost to assist the country in the way of production; and, secondly, their belief that this utmost was to be achieved by working the longest possible hours under whatever conditions might arise. The action of the employers was accepted by the workers, who welcomed the prospect of overtime pay, and confirmed by the State, which relaxed the provisions of the Factory Act to admit of longer hours, of night-work, and of Sunday labour, for "protected persons." To appreciate the results of this policy we must turn from Miss Hutchins' book, which covers only the earlier part of the war, to the very interesting and important series of Memoranda issued by the Committee appointed by the Ministry of Munitions to advise on matters affecting the health and efficiency of munition workers.

The first question which was considered—that of Sunday labour—presented problems so urgent that the Committee thought it necessary to issue an immediate interim Report. They found that though employers were generally opposed to Sunday labour, it had been widely adopted (a) on account of heavy demands for output, or (b) because of the desire of their workpeople to obtain the double or at least increased pay. The results were not good, even from the point of view of output, many employers stating that seven days' labour only produces six days' output ("at eight days' pay"), and that reductions in Sunday work have not involved any appreciable loss of output. In this, as in other respects, the mistake arose partly from the fact that employers started their production of munitions by sprinting, as if for a short race, "whereas it is becoming evident that the course will be a long one, and that the hours of labour must be so organised as to

enable the output to be maintained at a regular level for a lengthy period" (p. 4).

But it is not only in respect of Sunday labour that the mistake of overwork has been made. In Memorandum 5, on Hours of Work, the Committee tell of labour which is excessive to an almost incredible extent: "At one time cases of men working as much as 90 hours per week were common; more recently there has been a tendency to reduce hours, but, even so, weekly totals of 70 to 80 hours are still frequent"! They tell also of "the practice prevailing in certain districts of working from Friday morning, all through Friday night, until noon on Saturday." It is remarkable that, in such circumstances, they can report that they have not as yet found that the strain of long hours has caused any serious breakdown among the workers; it seems probable that the men have instinctively saved themselves at the expense of the work. "Many witnesses assert that while for an emergency overtime is effective, after a period the rate of production tends to decrease and the extra hours to produce little or no additional output."

Upon women the strain of long hours naturally tells more than upon men, and is not lessened by the spirit of patriotic enthusiasm in which so many of them have undertaken the work. "Tribute is constantly paid by foremen and managers to a similar spirit (of cheerful resolution); they tell of workers readily working overtime in the knowledge that their action means the loss of the last tram and a four- or five-mile walk at midnight" (Memorandum 4, Employment of Women, p. 5). Night-work is particularly hard for them, especially when, as is often the case, the day has to be largely devoted to home duties. Small wonder that some managers consider that the last few hours of a twelve-hour night shift yield little output. "In one factory visited at night the manager stated that fatigue prevented many of the women from making the effort to go from their work to the mess-room, though in itself the room was attractive. In another, visited also at night, several women were lying, during the meal hour, beside their piles of heaped-up work; while others, later, were asleep beside their machine, facts which bear additional witness to the relative failure of these hours. A few women of rare physique withstand the strain sufficiently to maintain a reasonable output; but the flagging effort of the majority is not only unproductive at the moment; it has its influence also upon subsequent output" (p. 4). The long hours of actual work have been greatly aggravated by the fact, inevitable in the circumstances, that in many places

the workers have to travel long distances, and even so have been badly lodged in overcrowded areas. "A day begun at 4, or even 3.30 a.m., for work at 6 a.m., followed by 14 hours in the factory, and another two or two and a half hours on the journey back, may end at 10 or 10.30 p.m., in a home or lodging where the prevailing degree of overcrowding precludes all possibility of comfortable rest. Beds are never empty and rooms are never aired, for in a badly-crowded district the beds, like the occupants, are organised in day and night shifts."

It is obvious that human beings cannot continue to work efficiently under such a strain as this, and little "scientific management" has been needed to point the way of reform. One after another, employers are being forced to recognise their mistake, sometimes by the fatigue, illness, and bad timekeeping of the workers, sometimes by some accidental shortening of the day which has shown that the loss of hours carried with it no diminution of output; *e.g.*, "several employers of different kinds who, accustomed to work their women from 8 to 8, were forced by lighting regulations and other causes to stop at 6, found the output undiminished" (p. 6). With this experience before them it is a matter of course that the Committee recommend a drastic reduction of hours, to be effected where possible by means of the three-shift system.

But it is not only by over-long hours of work that the efficiency of the women is impaired. They are probably far more susceptible to the conditions of their work than men, and it is mainly for this reason that the appointment of women inspectors and supervisors is so important. It seems hard for men to realise that conditions which might matter little to them may be an intolerable strain upon the differently-constituted frame of women. The late Lord Salisbury it was who opposed a Shop Seats Bill on the ground that he did not see why women should want to sit down in work hours. It is a sign of growing understanding that the Committee declare that "Prolonged standing has been found a highly provocative cause of trouble to women and girls, whose health it has often permanently and seriously injured"; and recommend that "when standing is absolutely unavoidable, the hours and spells of employment should be proportionately short, and seats should be available for use during the brief pauses which occasionally occur while waiting for material or for the adjustment of a tool" (p. 9).

Other conditions which have occupied the attention of the Committee, such as ventilation, lighting, and the provision of

dining-rooms and food, are dealt with in Memoranda 3, 6, and 9; while Numbers 8 and 10 report on Special Industrial Diseases and Sickness and Injury. In Number 2 the work of "Welfare Supervision" is described, and the need for it, more especially in the case of women and girls, is strongly urged. We believe that in National Factories the appointment of a supervisor is now obligatory, and many private employers are finding the advantage of a disinterested supervisor whose sole business is to co-operate with him in promoting the welfare of his workers.

In Memorandum 7 the question of industrial fatigue is dealt with in more detail and with a study of its causes from a physiological point of view. Remarkable instances are given of improvement in output resulting from a diminution of hours and better organisation, in one case amounting to an increased quantity of shells from half the number of workers. The Committee rightly protest against "misguided efforts to stimulate workers to feverish activity in the supposed interest of the country," and "are bound to record their impression that the munition workers in general have been allowed to reach a state of reduced efficiency and lowered health which might have been avoided without reduction of output by attention to the details of hourly and weekly rests" (p. 10). In conclusion, the Committee express the hope "that the study of industrial fatigue and the science of management based upon it, which is now being forced into notice by immediate need, may have lasting results to benefit the industries of the country during succeeding years of peace." In this hope we concur, but with one proviso. How far the introduction of "scientific management" is to be followed by good results will depend almost entirely upon the spirit in which it is introduced and carried out. If it is clearly aimed at the interests and well-being of the workers, as we are glad to say is the obvious intention of the Committee, then we may hope that it will be well received by them after the first novelty has been overcome, and will lead to great results. But if the workers feel, as they certainly have felt in America and elsewhere, that it is only a device for extracting the last ounce of energy out of them, they will very naturally rebel, and nothing but failure and discord will result. Why, indeed, should even a share in the increased output reconcile them when it is, *prima facie*, so obvious that the whole increase has been elicited from their bodies? They have, moreover, a very natural prejudice against the feeling that those bodies are being treated as machines, to be worked on the most scientific lines, a prejudice which we believe to be justified both physically and mentally.



There is a striking passage in that remarkable book, *Life in a Railway Factory*, which bears upon the point. "Piece-rated men," writes the author, himself a worker, "seldom or never work at a perfectly uniform speed; there are dull and intensely active periods, depending sometimes upon the physical condition of the workman and sometimes upon the quality known as 'luck' in operation. Give the workman his head and he will speedily make up for any losses he has incurred before. The feeling of fitness is bound to come; he revels in the toil while it possesses him. There never was, and there never will be, a truly mechanical man who shall work with the systematic regularity of a clock or a steam-engine." There is a story to the same point from America of certain scientific managers who studied the art of sewing on buttons. They first studied the length of thread and prescribed a standard length as most economical. "Length of arm was also a factor, so studies were made to discover what length of arm would enable a girl to sew on the maximum number of buttons in a day. This was no sooner determined and a full complement of standard-armed girls secured than the disconcerting fact emerged that length of fingers also has an important bearing. Further studies were made, and in time the firm had a group of girls sewing on buttons, with standardised lengths of thread, with their standardised fingers and arms. The culminating discovery was that the unstandardised girls were<sup>3</sup> apparently enjoying better health, were less rushed, and were doing better for themselves and their employees than their standardised sisters." The story may or may not be a record of fact, but it certainly indicates a truth that will have to be taken account of in developing "scientific management." Meanwhile, it will have been a gain of inestimable value if the war shall have taught us *effectively* that it is a folly as well as a crime to overwork and neglect the workers. It may seem paradoxical to say that effectiveness in production will be in direct proportion to the degree in which it is organised with a view to the well-being of the workers, but we are certain that something very like this will prove to be true.

Beyond this greater consciousness of the claims of the worker for which we hope, will the war have any marked effect upon industry, and more especially upon the position of women workers? There is an interesting consideration of the question in the last chapter of Miss Hutchins' book, but since that was written the invasion of industry by women has increased very rapidly. An official Report on the state of employment in October, 1915, estimated that in a group of nine industries there

were 226,400 females employed in work previously done by men. This did not include the women employed in commercial and other non-industrial occupations. On March 30th of this year Mr. Long stated that some 270,000 women were estimated to be engaged on work in substitution for men in industrial occupations, exclusive of agriculture and of clerical and commercial occupations and occupations connected with the transport trades. When all these branches of employment are taken into account the number of women employed must be very large, while the process of "dilution of labour" will continue to add to it greatly. Does it follow that on the return of the men there will be much difficulty? *Prima facie*, it might be said that either all these women will be thrown out of work or, what would be even more deplorable, the returning men would find themselves robbed of their employment. There are, however, good reasons for thinking that the situation may not be very serious. In the first place, many of the women have merely been transferred from one industrial occupation to another, and when works are re-opened and plant is re-started they will be able to return to their original work. Again, "the munition workers of to-day include dress-makers, laundry workers, textile workers, domestic servants, clerical workers, shop assistants, university and art students, women and girls of every social grade and of no wage-earning experience; also, in large numbers, wives and widows of soldiers, many married women who had retired altogether from industrial life, and many, again, who had never entered it" (Mem. 4). It is not likely that more than a very small proportion of this miscellaneous army of workers will be so much attracted by the work as to desire to become permanent employees in the metal industries, especially as only few of them can be physically suited to it. They have taken up the work from patriotic motives, and will thankfully lay it down again when the time comes. In more sedentary occupations the case is somewhat different; we understand that bankers, *e.g.*, intend to continue the employment of women in the lower branches of their work, though not, we hope, to the detriment of men previously employed. Unfortunately, many of these will not return, a consideration which will lessen the pressure of competition in all industries alike. As an ultimate result it would be all to the good if the sedentary occupations should fall more into the hands of women.

There is one serious danger to be guarded against in the metal industries, and that is lest the "dilution of labour," especially by women, should lead to a retrogressive movement in the use

of machinery. Before the war the movement had been in the direction of replacing unskilled labour by automatic machinery under skilled supervision. But it has been pointed out by Miss Ashley (*The Employment of Women during and after the War*) that with the introduction of women "there is a counter-movement to get rid, wherever possible, of the need both for strength and skill. It is obvious that, wherever a process involved the lifting of a heavy weight, the interests both of production and of the employees called for an adaptation of the machine to introduce a mechanical lever. But the adoption of devices to lessen the skill required, so as to make the machine 'fool proof,' is a less happy augury for the future." Again, "in some factories an older type of machine, requiring a larger proportion of unskilled workers, has been installed instead of the most modern automatic pattern." We have no doubt that the Trade Unions have this danger in mind, and they ought to receive every assistance when the crisis is past in re-establishing the supremacy of skill in the workshops. It is probable also that the policy of "industrial unionism" to include the less skilled workers will receive more attention from them for this reason.

HELEN BOSANQUET

A STUDY IN MALTHUSIANISM.

*Population: a Study in Malthusianism.* By WARREN S. THOMPSON, PH.D. (New York: Columbia University Studies. No. 153. London: P. S. King and Son, 1915. Pp. viii + 216. \$1.75.)

"THE conditions which made possible the unprecedented expansion of the European peoples in the last fifty years are passing away. The agricultural development which came as a result of rapid transportation, the invention of labour-saving farm machinery, and the abundance of new and fertile lands cannot be duplicated. The system of transportation can be greatly improved, but no revolution such as came with the development of the steam engine seems likely to take place again. The efficiency of agricultural implements will probably be greatly increased, but they have already reached the limit of practicability for extensive farming, not because the implements might not be improved upon, but because the days of extensive farming are rapidly passing as the new countries become more thickly settled. Fertile land is no longer to be had for the asking in the United States, and will soon be taken up in the other places where Europeans can thrive."

I should like to suggest that the next bishop who proposes to recommend unreasoning multiplication as a universal rule of human conduct should take this passage from Dr. Thompson's book as his text. The predictions which it contains may be premature, but they cannot be erroneous in any other sense. This little planet is getting filled up; if we go on increasing our numbers indefinitely we must eventually make it too full, in spite of that steady progress in material equipment and knowledge which tend to set the limits of desirable density farther on.

But Dr. Thompson wrote the most of his book before the war, and it must be admitted that the ultimate trend of things now seems to us for the moment of less importance than the exigencies of the next few decades. The increase of population in Europe is having one of Malthus' "positive checks" administered with very great sharpness.

Those who look only at military statistics are apt to depreciate unduly the effect of war as a positive check. They should examine the mortality not only of the armies but of the whole population. It is true that the effects of the war of 1870 are scarcely noticeable in the Prussian figures of annual deaths, but that was unfortunately, as it turns out, a cheap war for the victors. The numbers of French deaths tell a very different tale. These, including those of Alsace-Lorraine (population 1,570,000) down to 1868, but not afterwards, are given in the *Annuaire Statistique* as follows, in thousands:—

	Males.	Females.	Total.
1866 ... ..	450	435	885
1867 ... ..	441	426	867
1868 ... ..	471	451	922
1869 ... ..	443	421	864
1870 ... ..	553	494	1,047
1871 ... ..	692	579	1,271
1872 ... ..	410	583	993
1873 ... ..	434	411	845
1874 ... ..	401	381	782
1875 ... ..	434	411	845

The average for 1861 to 1868 was 442,000 males and 431,000 females, while the average for 1872 to 1879 was 424,000 males and 398,000 females. Taking the loss of Alsace-Lorraine into account, we can scarcely doubt that the war and the resulting civil troubles accelerated the deaths of about 400,000 males and more than half that number of females. These already seem trifling figures; our war is not finished, and the subsequent civil dissensions have not yet begun. When all is over, the loss of male life, military and civil, is not likely to be less than if the whole existing male population of Spain had been exterminated,

or, let us say, the whole male population of England and Wales in 1861.

It used to be said that such ravages of death were soon made up by an increased number of births—in spite of the obvious fact that it takes twenty years for a new-born baby to replace a man of twenty. But even if “soon” be extended to cover half a century, the doctrine does not seem likely to be true, at any rate under modern conditions. There is, of course, no ground whatever for the grotesque belief that war somehow causes an increase in the proportion of male births, and the opinion that it leads to an increase in the total of births is probably only founded on the natural “banking up” of births; if large numbers of men are separated from their wives for a considerable interval and then return simultaneously, there will obviously be a considerable rise in births beginning nine months after their return, but this is at most only compensation for the births which did not take place owing to their absence. There seems to be no reason to doubt that the killing of a certain proportion of vigorous males in the prime of life and a less proportion of the remainder of an existing population causes a permanent loss of people, in the sense that it causes the population to be less at every subsequent moment than it would have been at that moment in the absence of the calamity.

Is it probable that the set-back administered by the war will diminish what used to be called “the pressure of population”?

Land, indeed, will be slightly more plentiful in proportion to people, but the loss of other material equipment, counting both what has been destroyed and what has not been created owing to the diversion of labour from construction to destruction, will probably have been more than enough to compensate for this advantage; the advance in knowledge and in the possibilities of organisation which has resulted from the general stirring up of the world may do much to improve the position, but only on condition that it is devoted to the arts of peace and not of war. This only throws us back on the old question—the question which makes all others unimportant—Will the nations settle down after the war into a single society with a common organisation strong enough to prevent fighting between its different members, or not?

Here the thought suggested by a study of population like that of Dr. Thompson's seems to suggest that militarism, by which I understand the faith that war is inevitably prescribed for the human race, whether by a beneficent Deity or by a malevolent Devil or by neutral Nature, is confronted by insuperable difficulty. We have for the present already returned to the sentiment of the

eighteenth century, when, as Joseph Townsend complained in 1786, "The cry is 'Population, population! Population at all events!'" Our daily wail is "Men and yet more men!" with the corollary, "and women too!" If wars are to recur, each nation must utilise the intervals of peace by increasing its population to the utmost. To what motives can it appeal?

Religion, we may be sure, will be found of very little use, however enthusiastic the bishops may be. The local coincidence of high natality and faithfulness to the Church does not prove that Christianity, whether Roman or Greek or Protestant, is powerful, but only that the conditions in so-called backward districts are more favourable at once to high natality and faithfulness to the Church than more "modern" conditions. Moreover, any special appeal which a State may make to Christianity to help in furnishing men for war is embarrassed by the fact that the founder of that religion expressly rejected an appeal to the sword. Mohammedanism, which has a much better record from the militarist's point of view so far as its teaching is concerned, has nevertheless in practice failed so egregiously to maintain a proper increase of warriors that its extension north-westward may be dismissed at once.

Patriotism, if it could be made into a kind of religion causing the subject to revere the Government and be ready to give up everything in unquestioning obedience to its behests, might be extremely useful. The State would ordain that babies were to be provided, settle who should produce them, and in due course they would be forthcoming in the greatest possible numbers. But the prestige of no Government is likely to be increased by the war, and it is highly probable that women will not in the future give the same unreasoning support to the martial spirit as they have done in the past. The mother whom I heard say, as she read the casualty list, "If this is all children are for, women will refuse to have them," is not alone in her sentiment. There will certainly be a number of shirkers and slackers far from negligible in this matter of propagation. National opinion may cry for compulsion, but there are some things more difficult even than to make a horse drink. One suitably armed man may take an unwilling conscript to the barracks, but ten cannot secure that a conscript shall exist if his potential parents are unwilling. We shall never see a Minister of Propagations running Controlled Establishments.

It would seem, then, that compulsory military service has not, after all, dispensed States from the necessity of bargaining

for their soldiers. Owing to the contemporaneous introduction of the limitation of families, it only has the effect of compelling the State to bargain with parents in general instead of with the particular men whom it desires to enlist. In this there is great hope for the world. It means that the population which is necessary for military purposes can only be obtained by giving people such a prospect of a happy life as is wholly incompatible with an ideal in which each country is to abandon everything except the work of fighting the others. Moreover, it creates the possibility that the various national authorities holding that atrocious ideal may eventually lose sight of their ultimate object, the crushing of their enemies, in their effort to secure one of the means, the welfare of their own people.

EDWIN CANNAN

## REVIEWS

*The Economy and Finance of the War.* Being a discussion of the real costs of the war and the way in which they should be met. By A. C. PIGOU. (London : Dent, 1916. Pp. 96.)

THE author of *Wealth and Welfare* here deals principally with the first of these subjects, and only incidentally with the second. The costs which he discusses are economic in a strict sense : "the costs that come into relation with governmental expenditure and the Chancellor of the Exchequer's Budget." In this technical investigation he displays a talent which is required in economics even more than in other sciences, the power of penetrating beneath the surface of appearances, discerning unobvious truths and exposing popular fallacies. For example, it will be a surprise to many readers to learn that a married soldier with dependants to whom separate allowances must be paid does *not* involve more real cost to the nation than a single soldier with no such dependants. This is one of several startling propositions which will probably appear at first sight to the general reader foolishness, and even to the expert a stumbling-block. They would certainly have so appeared if propounded at the beginning of the war. But since then the attention of students has been directed to the economics of war by many writers, notably Professor Pigou himself in the *Contemporary Review* of last year (noticed in the *ECONOMIC JOURNAL*, both in the last and in the present number, among *Recent Periodicals*). For instance, in the article to which we refer we have read something like the following passage, which is taken from the work before us :—"The services of lawyers, of highly-skilled gardeners, of poets, of men learned in the ancient languages, of musicians, of young men medically unfit or with conscientious objections to combatant service, of midwives, of women with special skill as children's nurses, of ballet dancers and music-hall artists, are much less valuable to Government than they are to private employers." A similar theory, with corresponding practical deduc-



tions, may be found in Mr. Bickerdike's article, *On Paying for War by Loans* in the ECONOMIC JOURNAL for September, 1915.

In this connection we may observe that Professor Pigou is singular in forbearing to support his doctrines by authority. The volume is almost a "record" in that it does not, so far as we have noticed, mention a single other economic writer. The author, no doubt, thought that his little book would be more attractive to the public if not encumbered with allusions to economic literature.

His simple and direct method of exposition is certainly very effective. Very striking too are the propositions enounced, of which we subjoin some examples. We have preserved the form of these specimens almost intact; yet it is to be feared that they have suffered by being torn from their contexts, which we have indicated and advise our readers to consult.

To pay a man, whether he be a member of Parliament, or a contractor, or a workman, much more than his services are worth, this, undesirable though it may be, does not involve any waste of national resources (21). If museums and art galleries are shut down and the saving in respect of their staffs are utilised by the State, the real costs to the public include not only the services represented by this saving, but also the services of the capital invested in these institutions, the loss of which is balanced by no service to the Government (34). The result of closing scientific and artistic exhibitions in a "piecemeal" fashion, without taxation of substitutes (which was presumably the state of things at the time of writing, before the Budget of this year), might be merely to increase correspondingly the demand for picture palaces and public-houses (39). So import duties, instead of causing people to employ less capital and labour in respect of the needs which they used to satisfy by importation, may cause them to satisfy their needs through the manufacture of identical or similar things in a more expensive manner at home (39). By economising in respect of commodities which obey the law of diminishing returns we enable ourselves and others to obtain so much of these as we continue to consume at a diminished cost of capital and labour—a consideration of special importance in time of war when demand for certain classes of goods is urgent and before supply is adapted to demand (35, 36). The imposition of duties is a clumsy method of bringing about economies compared with the method of "rationing," at least with respect to articles which form part of the staple food of the poor (40). The line of cleavage between present and future resources does not coincide with the distinction between taxing

and borrowing; among other reasons, heavy taxation of the poor may impair personal capital (47 *et seq.*). The payments of interest on an internal national loan afford no evidence of any *net* burden to the nation as a whole (49). By impeding investments our Government has *pro tanto* encouraged people to meet the demands of war by drawing on the future rather than on the present (50). The real cost of foreign imports in terms of domestic produce has risen in a *smaller* degree in Germany than it has done in England (p. 56). Whereas by cutting down unnecessary imports we may direct the capital and labour employed on the corresponding exports from the work of indirectly yielding imported luxuries to that of yielding imported shells; we may effect a similar economy if we divert resources from making commodities for home use and turn them into making more commodities for export (60).

As we interpret, these propositions, like most of the abstract truths of political economy, are to be regarded only as first approximations, to be supplemented in practice by concrete circumstances. "Apart from administrative difficulties," a clause which Professor Pigou introduces with respect to his preference for the policy of "rationing," is often to be understood. For instance, we agree with our author that the payment of interest on a national debt involves no *net* loss to the community as a whole; not the kind and amount of loss which popular writers and even respectable economists take for granted. But it is not meant to deny that to raise and pay for a large loan involves "administrative difficulties" and secondary consequences which may prove serious. The very fact that the public does not accurately distinguish between a foreign and a home loan is a circumstance not to be ignored by the financier who, as Professor Henry Adams well observes, should attend to the psychology of the tax-payer. This kind of consideration would not be all on the side of taxation as against borrowing. The facility of raising large sums without compulsion, the freedom from vexatious interference with the course of industry, are on the other side.

We trust that our author has taken account of all these psychological considerations when in more than one context he urges present effort and sacrifice. Thus he advises resort to "current capital and labour" in preference to parting with some of the American securities which we hold. He italicises the dictum: "*It is in the national interest that the war should be financed in the utmost possible measure by the utilisation of current capital and labour, and that our saleable property—gold and securities*

*alike—should be rigorously conserved.*" (64). With reference to the choice between taxes and loans, he concludes that "the ratio in which the war is financed with money borrowed from people with large incomes should be much diminished, and the ratio in which it is financed with money collected from them under some form of progressive taxation should be much increased" (83).

The premisses by which this conclusion, especially the latter part of it, is deduced are of extreme interest. There is in favour of distributing the burden of taxation not in the proportion normal to a *régime* of peace, but in a proportion less burdensome to the poor, *first* the consideration that the poor will be placed in consequence of the war in a worse position comparatively. The high rate of interest and the circumstance that its payment was contracted during a period of monetary inflation will secure to the capitalists a larger share of the national dividend; and the total will be smaller owing to the destruction of capital, the deficiency of tools and machinery (73 *et seq.*). Moreover, the currency inflation which borrowing from banks for war purposes is likely to produce will inflict additional hardship on the poor, whose incomes are not likely to rise as rapidly as prices. [This hardship, as we understand, would exist only during the war. The subsequent depression, too, will not, in Professor Pigou's judgment, prove, as many apprehend, an "economic disaster" (84)—provided that we can meet the present financial requirements of the war.] The case for the poor is further strengthened by the circumstance, already mentioned, that their efficiency is apt to be impaired by heavy taxation. But has the author given due weight to the counterbalancing circumstance, that by reducing the income of the rich you diminish their power of saving—their objective means, for as to their motives, account is taken of these, as we understand, among the considerations which follow?

So far we have been on the solid ground of economic cost. But now we ascend to "values outside the economic sphere" (1), when, in order to determine the adjustment of taxation, we take account of the "subjective burden of suffering and sacrifice." Let it be granted that the distribution of the objective burden by the system of taxation adopted in peace-time was fair and proper. "Then suppose the amount of objective burden all round to be quadrupled. There is reason to believe that a quadrupling of the objective burden on a poor man will increase the subjective burden of sacrifice and suffering laid on him in a proportion higher than that in which the quadrupling of the objective burden on a

rich man raises his subjective burden." It follows that the proportionate share in which the expenses of government when greatly enlarged are borne by the rich ought not to be the same as before, but greater (78).

So far as we understand, the argument would hold good in whichever of its variant forms we accept the doctrine of "sacrifice" as the criterion of proper taxation. The argument is clinched by an appeal to the doctrine in that sense which has been called in this JOURNAL *minimum sacrifice*. "Other things being equal, the absorption of a pound from a rich man strikes at much less urgent wants, and, therefore, causes much less suffering and real sacrifice, than the absorption of a pound from a poor man. It follows that the aggregate amount of sacrifice involved in providing any given revenue would be at a minimum if the whole of the funds required were lopped off the few largest incomes enjoyed in the country." The practical reasons which deter economists from advocating this system in general are not valid as regards "special taxes levied on an exceptional occasion for the purpose of financing an unprecedented war." Thus a much larger proportion of the objective burden which the present war imposes upon the community should be laid upon the rich than it is proper to lay upon them for normal peace expenditure.

An argument involving the conception of "aggregate amount of sacrifice" as a quantity to be minimised—or the corresponding positive quantity, a maximum of aggregate satisfaction—may appear to some metaphysicians nugatory. But we submit that the essence of the reasoning—whatever alterations in wording and emphasis may be desired—commends itself to practical good sense. We are, indeed, far from ignoring the danger of applying such doctrines to ordinary practice. But we think that Professor Pigou has guarded against that danger by prescribing only for the exceptional case of an unprecedented war. Nor do we find, in his concern to minimise the privation of the majority, any trace of that materialism which *littérateurs* like Carlyle and Ruskin have attributed to cognate ways of thinking. Witness this estimate of the cost of war in the larger and truer sense of the term: "Compared with what this war has cost and is costing in values outside the economic sphere—the shattering of human promise, the accumulated suffering in wounds and disease of many who have gone to fight, the accumulated degradation in thought and feeling of many who have remained at home—compared with these things the economic cost is, to my mind, trivial and insignificant."

F. Y. EDGEWORTH

*A Study of Industrial Fluctuation: An Enquiry into the Character and Causes of the so-called Cyclical Movements of Trade.* By D. H. ROBERTSON. (London: P. S. King and Son, 1915. Pp. xiv+285. Price 7s. 6d. net.)

MR. ROBERTSON'S book was<sup>4</sup> begun to satisfy the examiners for the Cobden Club Prize at Cambridge, and enlarged and improved for the electors to Fellowships at Trinity College. Like almost all other works produced under similar conditions, it suffers somewhat as a published book from having been in the first place addressed to so small and select an audience. There is only a tiny circle of readers who will not be repelled when they open, say, at p. 249, and have their eye caught by such language as this: "We may now add, in the light of ch. iii., § 1, that even if consumptive leaders find restriction easy, such restriction will not be in the interest of consumptive wage-earners, and that since constructional restriction will remove the inducement to consumptive restriction, an additional argument emerges in favour of the former." Nor is occasional over-technicality of phrasing much alleviated by little bursts into the picturesque, such as the following, inspired by contemplation of a chart illustrating American production of pig-iron, coal, &c.: "Of the Geryon of 1887-92 only the first crest made an appreciable impression on this side of the Atlantic, and the final expansion of 1912, while it imprinted its kiss upon England's forehead, was not destined to act the part of Prince Charming, but found the princess this time already awake." But Mr. Robertson's defects are superficial, while his substance is sound.

Instead of casting about for some sensational discovery, he is content to play the part of the physician who declines to attribute the fact that you are feeling run down to your eating or not eating porridge or some other single trifle, but thinks a number of unfavourable circumstances have probably converged upon you. It is not surprising that Trade should have its ups and downs of health; indeed, our wonder ought to be rather that they are not greater, when we reflect upon the amount of prevision required to keep things going steadily. Some particular crop is good for a year or two, and, in consequence, the price is unremunerative or less remunerative than usual; what wonder if this sometimes produces too much effect on the minds of the producers, with the result that they, in their aggregate, sow too little the year after? Demand, too, often undergoes sudden changes which no one can be expected to foresee. If such things cause miscalculations in particular trades, would there be anything surprising in

there being more of such miscalculations in the aggregate at one time than another, with the result of causing industry to be more successful in producing the right things at one time than another? Granting this, it is still, as Mr. Robertson thinks, desirable to make clear what are the principal original causes of miscalculation and how the miscalculations work.

Some miscalculations can be corrected—or replaced by different miscalculations—in a day or two, like the supply of a daily newspaper; others, such as those relating to cereal crops, in a year; others, again, such as those made in the building of railways, are only proved after the lapse of much longer periods. The length of “the period of gestation” is of the greatest importance in determining the duration of the so-called cycles of trade. Mr. Robertson is at his best in dealing with the causes and consequences of “over-investment,” which comes from expecting too much and is ended by “disillusionment.” We may doubt, perhaps, whether he is not too determined to find none but materialistic origins on the supply side of the problem. A good harvest, no doubt, may set the ball rolling, but is it inconceivable that some change in the age-composition of the people (such as might cause a considerable fluctuation in the annual number of recruits to industry), or even the promulgation of new doctrines in religion or politics, may be equally effective?

On the demand side, however, he makes no difficulty about admitting “fluctuations in human hatred” as a cause of fluctuation in trade. His book was finished before the war began, and he was already in the Army when it commended itself to the Trinity electors, so that he could not, if he would, revise it in the light of our present flagrant example of unprecedented industrial activity caused primarily by the willingness of nations to promise to pay no matter what price for the particular commodities and services which they regard as absolutely necessary. Perhaps our present condition is not a genuine “boom”—yet we can scarcely doubt that it will be followed by a very genuine depression, in which “disillusionment” will take an important part.

It would be well if every crank who proposes to explain the next or any future depression by the want of adoption of his particular nostrum were compelled to read Mr. Robertson before beginning, especially if it is a monetary nostrum. Readers are introduced to the various causes which would create fluctuations even if money were perfectly stable in a way which must, we should hope, endanger the faith of even the most enthusiastic of money-maniacs.

EDWIN CANNAN

*La Germania alla Conquista dell' Italia.* By GIOVANNI PREZIOSI.  
 Con introduzione e appendice del Prof. Maffeo Pantaleoni.  
 Seconda edizione interamente rifatta. (Florence: Libreria  
 della voce, 1916. Pp. xxxii + 272.)

THIS is a second edition of a work which seems to have been published early in 1915; a second edition, largely rewritten, or rather rearranged. Redactions of this sort put a student of the earlier edition at some disadvantage. The distinction between what he has read before and what is fresh is obliterated by changes of form and insertions of new matter; the clear impressions obtained from the first reading become blurred. We may obviate this sort of confusion by observing that in the present version sections are reproduced *en bloc* from the first edition, not, however, in their original connection, but with intercalated sections borrowed from *La Banca Commerciale*, a work *in pari materia* by the same author, which first appeared about April, 1915. The two publications are named together as authorities for the important study on German methods in Italy which Mr. Albert Ball contributed to the *Quarterly Review* of last July. Mr. Ball's special acquaintance with Italian conditions enables him to corroborate some of the reasons assigned by Signor Preziosi for regarding the "penetration" of Germany as dangerous to Italy. For instance, Mr. Ball points out some circumstances which render shareholders—nowhere a very wide-awake class—in Italy particularly incapable of looking after their own interests, so that it was the easier for the Banca Commerciale to obtain control of a company by purchasing a substantial block, though only a minority, of its shares. Professor Pantaleoni also, in the new Introduction and Appendix which he contributes to the second edition, assists us to appreciate the significance of the facts adduced by the author. We should also call attention to the note which Professor Pantaleoni appended to the first edition referring to the Banca Commerciale. He there clearly exhibits the distinction between a "bank," in what we may describe as the English sense of the term, and a credit institution engaged in financing industry. The latter sort of house does not require to keep a large amount of liquid capital—it is, indeed, astonishing how small a proportion of German capital served to set the Banca agoing. When such a bank has become an established institution it can exercise a formidable power by affording long credits to some firms, while it refuses accommodation to others. Confidential communications—*informazione riservata*—between interdependent banks are directed against boycotted firms. Then the

alliance of the Press is brought to bear against the victim—the Press whose influence over the mind of the average ignorant citizen is described by Prof. Pantaleoni with his usual felicity. Thus it comes about that, in our author's words, "when the *Commerciale* goes to war with any firm or company, whether to get the business into its own hands or to ruin it, it proves not to be difficult to create round the object aimed at an atmosphere of suspicion, to excite against it political prejudice, to discredit it morally, and to withhold from it all banking accommodation [creare . . . il vuoto bancario].

When the efficacy of these and other underhand practices is explained it becomes intelligible that the Banca Commerciale has made considerable progress in the "conquest" of Italian industry: that it has directed the savings of the Italian people towards the fostering of manufactures in Germany or German enterprise in the East: that it has obtained control of the shipping and the iron trades, and many other branches of Italian industry, including the mercantile marine. "And who," exclaims our author, "can compute the enormous sums spirited away by this system from the pockets of the Italian people with the sole object of realising the maximum of profit, without any concern for the prosperity of the country, the improvement of the working classes, and the political independence of the nation?"

The picture of Italy thus strangled by the German octopus is dark indeed. But we may suspect some exaggeration, a tendency to overstatement, which is particularly regrettable, considering that the subject calls for judicial impartiality in a peculiar degree. For many of the statements, such as those relating to the transactions between companies, or rather their directors, must be largely inferential and require to be guaranteed by our confidence in the judgment of the witness. The evidence which can be set before the public must often be of a kind which, as Prof. Pantaleoni observes, does not comply with the strict requirements of a court of justice. Even where documentary proofs exist, they may not be accessible to the general public. Take, for instance, the surprising statement that the Socialist, Jaurès, was in the pay of the Germans. This is said to be proved by documents which Urbain Gohier has adduced in his *La Sociale*. But the majority of readers, to whom those writings are not accessible, must be content with authority as the basis of the statement. No doubt the authority is good—that of Professor Pantaleoni. Very high authority appears to us to be required in order to outweigh the *a priori* improbability of such a statement.



. When we have ascertained the facts there remains the still more difficult inquiry, What conduct do they justify? Even Signor Preziosi admits that it is difficult to define the point at which the activities of foreign bankers cease to be advantageous and become detrimental to the country into which they have penetrated. Supposing that point passed, what action should be taken? Will it be sufficient to ensure publicity and to brand with infamy Italians co-operating with foreigners in the conquest of Italy? Or are stronger measures called for, such as Kruger, for instance, employed against the English, if not so strong as those which the Jews of old employed against their heathen neighbours?

The question concerns not only the particular country which is invaded, but all the civilised—as distinguished from the “kultured”—countries. Suppose that after the present war the majority of the nations by concerted action secure that no one country will again attempt, with any prospect of success, to wrest territory from others by military conquest. Yet, as the energies of enterprising men cannot be entirely bottled up, would not the discontinuance of war constitute an additional ground for allowing a vigorous nation to extend itself by economic expansion, which should be resisted by similar pressure in an opposite direction, rather than by measures discriminating against aliens? How are we to define the arts and aims to which the odious character of “conquest” is properly attributable from a “penetration” which is really peaceful and conducive to the increase of the world’s wealth and the survival of the economically fit? In answering this question we must be careful not to follow those who are influenced by the Protectionist fallacy that the gain of the foreigner involves detriment to the home country. Nor are we much moved by our author’s complaints that the foreigners have no “concern for the prosperity of the country” into which they have penetrated. Should we not rather agree with Adam Smith when he says, “I have never known much good done by those who affected to trade for the public good”?

But how far does the reasoning of Adam Smith and his disciples require to be modified when the traders under consideration are not competitors aiming each at his own maximum profit, but agents of a foreign State aiming at the expansion of that State, and in combination with each other and the State employing discrimination between customers and other practices not contemplated in the classical theory of competition? Economic theory is based upon presumptions as to the normal conduct of

business. Now, "these presumptions," as Professor Pantaleoni puts it, "are founded on experience. Accordingly, when experience shows that the character of others has features of which we were before ignorant, we should take account thereof in our conduct for the future. . . . Not without profound modifications in our manner of thinking and feeling, and consequently in our conduct, experience will have taught us that it is dangerous to devote ourselves to the arts of peace while a neighbour is preparing for war, that it is foolish to trust to treaties if the neighbour values them as 'scraps of paper,' . . . that even in time of peace there is possibly a penetration by foreigners anticipating or preparing for war [*pro-bellica*] while clothed in the delusive forms of commerce and industry."

F. Y. EDGEWORTH

*Les méthodes allemandes d'expansion économique.* By HENRI HAUSER. (Paris: Armand Colin. 1916. Price 3.50 francs.)

M. HENRI HAUSER dedicates his small volume to the Paris Chamber of Commerce and the other French Chambers of Commerce at home and abroad. His purpose is not to preach simply the gospel of "Go thou and do likewise," but rather to examine how and why the commercial and industrial greatness of modern Germany has arisen. The preface informs us that the book is but the hasty presentation of M. Hauser's studies, a mere reconnaissance as a prelude to larger operations. Notwithstanding, it is an impressive study of the intensive culture of finance, industry, and commerce, which, in less than half a century, has wrought the economic transfiguration of Germany. Moreover, it brings us face to face with half-formed economic conceptions and possibilities at least alien to the ideas which are the current coin of everyday political economy.

In distinction from France and England, Germany first felt her great economic impulse at a time when large-scale production had proved essential to economic success, and when technological discovery was perfecting the methods of such production. Until 1870 political separatism had prevented the growth of the complex financial organisation which is at once the result and the foundation of modern industry. At the same time, this relative freedom from a past was favourable to the subsequent developments of industry. Germany could at once take advantage of the new discoveries, and could adapt herself to each improvement in technical practice. In older countries, where the artisan,

however dimly, remains a craftsman, amortisation of capital is slow and plant is worked as long as the smallest margin of profit endures. Germany, on the other hand, was a relatively clear field. Her whole industrial equipment was modern; and, more valuable still, she learnt the need of incessant and rapid renewal.

The initial necessity was capital, and capital in large and increasing amounts. M. Hauser remarks, as the essential trait of German economic history, that industrial evolution has outstripped the formation of capital. Capital was diffused among the great peasant class of Germany, who probably regarded the savings bank with mistrust. The concentration of capital necessary for the equipment and maintenance of large-scale industry was the function of the new German banks; and this historical necessity has precluded the distinction in Germany between the Deposit and the Commercial bank. In his sketch of the history of German banking, and its intimate alliance with German industry, M. Hauser is perhaps rather inclined to underestimate the full value which German commerce derived from the war indemnity of 1870, which, if it did nothing else, provided a nucleus round which to rally public confidence. The risks taken by the banks were heavy, since liquid assets were necessarily few, and severe crises were often experienced. With each crisis the combination of banks became closer, until, in 1891, German banking became a strong unitary system, a hierarchy at whose head is the Reichsbank, and whose members are allied in an infinity of relations ranging from *Interessengemeinschaften* to mere subjection. From 1900 onward this hierarchy of finance became a powerful weapon of international policy. Its unity is the direct outcome of the demand for large and immediate credit. "Les banques allemandes sont de terribles lanceuses de papier." Huge credits have always been extended to German industry and commerce; and only by solid mutual support could the banks maintain their financial stability. This elasticity of credit naturally involves the German banks in the direct participation in industry and commerce. They are represented on the controlling bodies of establishments in which they are interested. Very often they dictate their policy or even manage their affairs. The perfect system of commercial intelligence at the disposal of the banking world is at the service of the German commercial world; and in itself this is an asset of immense value. Furthermore, Germany has extended beyond her frontiers her easy long-term credit system. Banks are established overseas, in Brazil, in South America, in the Levant; and even in other countries of Europe, in Italy,

Spain, Switzerland, Turkey, and Russia. Though the greatest part of the capital of these banks is non-German, yet the control of them is in German hands, because the German holding is represented by a well-disciplined knot of men who act together. In their turn these overseas establishments become so many members of the great "État tentaculaire" of Germany.

Next to her banks, the chief factor in the economic expansion of Germany is the cartel. The cartel is not like the American trust. It is a federative group or association of members engaged in the manufacture or production of some article of commerce. Primarily such a group comes into being owing to the inconvenient pressure of unrestricted competition. If the manufacture or production of any article is to be remunerative, there is a certain datum line below which the price must not fall, namely, the manufacturing cost. The function of the cartel is, therefore, at first the regulation of price in the interests of the manufacturer. This does not necessarily mean exploitation of the consumer. There are some manufactures and some functions which are in the nature of public services. The mining of coal, the production of iron, efficient transport service are necessities of modern social life. If they are to be left to private enterprise, then that enterprise must be rewarded. The trust which works by "boosting" prices is the *παρέμβασις* of the cartel. Restriction of output is the time-honoured method of maintaining the "fair" price; and this is the means adopted by more than one English association. Systematic restriction of output is increasingly difficult in modern industry. It is much cheaper to produce goods in large quantities, and, therefore, in the interests of cheapness, output must increase. The cartel must, therefore, become not a protective association of manufacturers, but an active commercial instrument. Protective tariffs sheltered the cartel from competition in the home market, and, by maintaining a remunerative price at home, the cartel could flood the foreign market with German goods at prices which defied competition, even in the face of heavy tariffs. At first this system of "dumping" worked to the detriment of German industry. The German steel manufacturer had to pay high prices for his pig iron or his coal, and, in consequence, could not afford to sell so cheaply as the foreign steel-maker who was buying the "dumped" German pig iron or coal. The situation became so severe that, in 1903, a strict investigation of the cartels and their working was initiated. The result of this was that Germany became a huge cartel. The competition of the groups was eliminated. The German steel-maker or engineer could buy his

raw material from the German cartel at low prices, and in return the State established a system of bounties, whereby the deficiency in the profits of the cartel was filled up. The cartel now became an instrument of pure expansion and could operate without reflex effect upon German home industry. M. Hauser points out with vigour and clearness how this massive strength in international conflict is built upon the ruins of individual liberty of action. This is, perhaps, rather misleading. Modern industry is largely in the hands of companies, impersonal societies, or small-scale cartels, who have very little personal or individual liberty of action to lose. The real sufferer is the individual German consumer. His burdens must truly be crushing. He must support the losses which discriminate dumping must entail. The cartel is willing to sell abroad, much below cost price, in order to conquer the market. This is what has taken place in Italy. Native industry is stifled, and the German exporter controls the market. Further, this system of exportation *à outrance* is deliberately fostered by the State. Railways are run at a loss by the cutting down of carriage rates. Freight from Breslau to Hamburg for beer in casks is 3 mks. 76 pf. per waggon load; from Hamburg to Delagoa Bay 6 mks. 40 pf.; a total of 10 mks. 16 pf. From Breslau to Delagoa the rate is 7 mks. 08 pf., c.i.f., a rebate of more than 75 per cent. on the original railway charge. All these rebates are deliberately designed with a commercial purpose. There is no general scale of rebates, but a special rebate for each particular market. The State is subsidising industry at the expense of the individual citizen.

It is here that we reach the profound difference between the industrial system of Germany and that of England. In England the interests of the individual consumer, and his only, are consulted. The activity of the State is confined to ensuring to him the cheap and plentiful satisfaction of his needs. The outlook is parochial. In Germany, on the other hand, the whole end of the statesman is the power of the State. By the sacrifice of individual interests Germany had almost completed the economic conquest of the world. But the burden was very terrible, and M. Hauser's book contains more than one suggestion that the present war is the "*voie courte*" taken by Germany to attain her ends. The burden imposed by peaceful means was too heavy. That may well be so. State subsidisation of industry could not go on for ever; and, despite the immense strength of her commercial fabric, the German State was heading for bankruptcy unless her economic conquests had so far extended that the complication of premia,

bounties, special rates could be abolished. Though the attempt to dominate the world commercially has not succeeded, one cannot but wonder at the solid tenacity of purpose which has directed the growth of German industry. It is a miracle of self-repression; a lesson which must not be lost upon the world.

S. W. RAWSON

*The Ruling Caste and Frenzied Trade in Germany.* By MAURICE MILLIOUD, Professor of Sociology in the University of Lausanne. With an Introduction (pp 13) by the Rt. Hon. Sir Frederick Pollock, Bart. Pp. xx+159. (Constable and Co., 1916.)

THIS little volume, which is a translation, is divided into two parts, the respective subject-matters of which are fairly well indicated by the title. The first part is an analysis of the nature and characteristics of the "ruling class" in Germany, which consists "in part of an aristocracy of birth and in part of middle-class capitalists more or less recently ennobled." Professor Milliod examines its composition, the chief articles in the code embodying its ambition and the reasons for its power over the masses, in an essay marked by insight, learning, and freedom from prejudice, and written with pleasing vivacity. His point of view is that of a neutral who, though appreciating the good qualities of the German people, would regard the success of the German Empire in the war with dismay as a disaster for the Swiss Republic and for the cause of human freedom. After remarking that, even if it be true that commercial competition is a species of war, most people consider that rivalry in trade should not produce conflicts between nations, he goes on to say that the Germans had looked on war as "a final economic operation, destined to perfect and bring all their plans to ultimate fruition."

Professor Milliod does not mean that the ruling class or classes of Germany intended to have a war whatever happened. He means that they were resolved to fight if their political and economic plans for improving the position of Germany were interfered with by other countries to an extent endangering their success. The great German bankers, commercial men, and manufacturers must have been very unwilling, on general grounds, to court such an injury to the prosperity of Germany as even a successful war would be. As regards the nation as a whole, the "wholesale assimilation of a people numbering seventy million souls by an aristocratic, almost feudal, ruling class at once pluto-

cratic and militarist" is, as he says, an extraordinary phenomenon.

In Part II. Professor Millioud discusses "Germany's Aims at Conquest by Trade and by War." He refers briefly to several explanations of the action of the Germans, including the very poor one which they put forward themselves, that "a plot" against them having been hatched by Russia, they were taken by surprise and "struck first in self-defence." Signor Giolitti's revelations dispose of this absurd plea. Professor Millioud does not believe in the theory widely accepted in England and many other countries that Germany and Austria were debauched by studying Nietzsche, or Clausewitz, or by the Pan-German propaganda, or that they were driven by a "political necessity" which, it is suggested by some friends of Germany, compelled her to free herself from being "strangled" by alliances and *ententes*. His own opinion is that the chief consideration which made the rulers of Germany determine to fight in 1914 was an economic one. He believes that the German bankers, merchants, and manufacturers knew that, after many years of prosperity, they had got into a very dangerous position owing to (1) the hostility provoked in all countries by their tariff; (2) the certainty that in 1915, when the commercial treaties with Russia and other Protectionist States came up for renewal, they would all be revised in a sense unfavourable, in the Protectionist sense, to Germany; (3) the fact that they had expanded their productive plant to such an extent that, unless they secured more and more new markets, they would have either to reduce their output, thus rendering part of their fixed capital idle, or to lower prices at home, and in either case diminish their profits greatly; (4) the fact that, after the Morocco crisis in 1911, when the threat of the "mailed fist," for the first time, failed, the Berlin money market was deprived of the financial support of Paris on which it had been largely dependent. He argues seriously, and makes a very good case for his view, that Germany's "manufacturers, financiers, and statesmen had dragged her so deeply and by such methods into a war of economic conquest that she could not withdraw. The methods employed were now working against her. Without having entirely mis-carried, victory was clearly beyond her grasp. Must she wait the inevitable crash, the downfall of her credit, the misery which must overwhelm her people, and the fury which would perhaps possess them in consequence?" These considerations, he maintains, induced the governing class generally to regard a victorious war, by which fresh territory might be secured and a big indemnity might be won, as the only way of escape from an *impasse*.

Professor Millioud believes that the Kaiser originally "aimed at conquest, but in the guise of peaceful penetration." His design was to develop fully the riches of Germany, a task well begun under his grandfather, and further to encourage his people to obtain control of the markets of the whole world. Under his influence, and with abundant backing from the Imperial Government, the German leaders of finance, trade, and industry "set themselves systematically, and hugely, to exceed the requirements of the home market." The most powerful aid they received from the State was the tariff; but the Colonial policy, undertaken largely in order to secure control of raw materials, was an important part of the plan. As regards the methods adopted by the Germans in what Professor Millioud calls "trade warfare," he attaches great importance to the stimulation of the nationalism of Germans who have emigrated; such emigrants do not now, as they did formerly, become closely assimilated with the population of the country of their adoption, even in the United States. That this policy of "infiltration," of permeating foreign countries with a German element composed of Germans holding positions of all kinds, has been carried very far, we all know. Switzerland has been persistently subjected to this process, and the more easily because the economic relations of Swiss bankers and manufacturers with their powerful neighbours were naturally close. They were made still closer through the acquisition by the great German banks and manufacturers of interests, not always openly avowed, in various Swiss enterprises. Professor Millioud gives a number of instances of the insidious growth of German influence and control in his own and other countries by these methods, by "dumping," and by granting long credits. He also refers to the support, both secret and open, which German merchants, manufacturers, loanmongers, and concession-hunters receive from the Imperial Government. All this artificial stimulation of German foreign trade and of the German economic organism generally was certain to end, for Germany, in a crisis of far greater dimensions than the normal cyclic crises to which all actively-trading countries are liable. Such a crisis was "due" in Germany in 1914. Whether Professor Millioud is right in thinking that the big bankers and manufacturers actually advocated war in order to get out of this dangerous position may be questioned. It is more likely that they were reluctantly induced to accept it by assurances from the Imperial Government and the Great General Staff that victory, and an indemnity, were certain.

WYNNARD HOOPER



*The British Coal Trade.* By H. STANLEY JEVONS, M.A., B.Sc., F.S.S. (London: Kegan Paul, Trench, Trübner and Co. 1915. Pp. xii+876. Price 6s. net.)

THE publication of this book by Professor Jevons (as a new volume in the series on National Industries, edited by Mr. Higgs) is appropriate in many ways, especially at the present time, when the coal industry occupies so vital a position in the national economy.

The author's name at once recalls the intimate association of his father, the late Professor W. S. Jevons, with the problems of coal production and consumption, begun nearly half a century ago by that epoch-making book, *The Coal Question*. This startled even Mr. Gladstone into appointing a Royal Commission to investigate the data relating to the thesis of this book, the importance of which is vividly recalled and repeated by several chapters of the volume now under review.

The connection of Professor H. Stanley Jevons with the problems of the coal industry is made all the more intimate by his personal activities for many years in that cockpit of industrial warfare, the South Wales coalfields. The author has acquired practical experience of the problems of the coal industry not only as Professor of Economics and Political Science in the University College of South Wales and Monmouth, but also by his personal efforts to solve some of the most pressing social and economic problems of this coalfield. For the pioneer work of Professor Jevons in organising a co-operative Garden City movement in South Wales mining centres was significant as the acceptance of a kind of challenge as to the practicability in application of theories of the chair with regard to economic and social well-being. And although the experiment involved cessation of professorial work and great financial risk, it has proved the nucleus of important movements for re-forming upon a new basis the social and housing conditions of our great coalfields. It is just a part of that leaven of idealism, which is essential to counteract the materialistic obsessions of industrialism, and which is evident throughout Professor Jevons' book. The author's personal experiences within the range of his subject have given a distinctive impress to the book, which is best described in the author's own words:—"My purpose has been to provide knowledge of facts and a point of view. It is always the lives and personality of the workers in an industry which appeal to me as the most important aspect of it, as, indeed, they are to the nation ;

so I have grudged no-space for the chapters dealing with the miners' lives and their organisations."

The above quotation is the key to estimation of the volume, as it is also to the author's former activities in South Wales. And in the opinion of the reviewer this quotation also embodies what should be the guiding principle of any objective study of industrial and commercial organisations, whether British or foreign. It is not enough that formal accounts of the dead fabric of the various industries should describe and analyse faithfully to the last technical detail. These are the dry bones of the matter that must be clothed with flesh and blood by intimate accounts of the *personnel* of the industry or branch of trade considered. Surely, these do, or should, count for more, or at least for as much, as the technical, mechanical, or material details.

The public, the legislator, and the economist cannot know too much of the *personnel*, the workers of industry and commerce—their different occupations; their conditions of life and work; their economic and social conditions; their points of view; their organisations and the purposes of the latter. It is ignorance of such matters, caused by lack of inquiry and over-emphasis of the *material* aspects of industry and commerce, that has helped to cause much of the grave misunderstanding between employers and employees, between both these classes, the general public, and the State authorities, during peace and, worst of all, during the critical times of war. Only during the crises of strikes and lock-outs have the mass of the nation an opportunity to get direct insight into the economic and social conditions of the *personnel* of our great industries.

Yet these conditions are of vital importance, especially in the coal industry, the workers in which hold the key to the productive efficiency of the nation. Their social and economic conditions, their points of view, must be understood if the problems of this vital industry are to be handled with success. King Coal holds sway largely through his workers, and is likely to do so increasingly in the future, as our author holds, with great show of proof. For the coal industry and the workers therein are "destined to play a growing part in the economy and politics of this country," and, the author might have added, of the world. The increasing strength of the miners' organisations (Chaps. XVII.—XX.), the political instinct of the miners and their leaders, the latter being kept up to the line by the constant criticism of the rank and file, will force into the sphere of practical politics questions of nationalisa-

tion of natural monopolies, working conditions, democratic government, and other vital issues (Chap. XX. and pp. 760-1).

Therefore, the author rightly observes that "no adequate discussion of such measures by the public or in Parliament is possible whilst there is widespread ignorance of the modern methods of working coal and of the conditions of the employment (and, may we add, of the life) of miners."

Such are the considerations which seem ever to loom before the author in defining the object and scope of his book. The first ten chapters prepare the background of technical considerations against which the social and economic aspects are portrayed; they deal in interesting, readable fashion with the conditions under which coal is produced, distributed, and consumed. These chapters are up-to-date in information and treatment, a distinctive feature being the illustration of the text by diagrams, photographs reproduced in black and white, and, above all, by a large geological map of the British Isles (nearly 24 inches square and coloured and annotated), forming a frontispiece to the book. In all there are twenty-three illustrations in black and white and two maps; these represent a pleasing and useful feature of technique, which seems eminently desirable in objective studies of different industries.

Chapter I. is introductory, touching lightly upon general and historical aspects of the coal industry, and followed by a description of the origin and nature of coals, the position and character of the coal seams of the British Isles. Chapter III. explains the modern uses of the chief kinds of coal in the two principal ways of either "barbarously burning" coal as a steam-raiser, or of using its volatile properties through distillation. The statistics of coal consumption for the United Kingdom (190 million tons) and for Europe (550 million tons), and the estimates of the possibilities and advantages of economy therein are interesting and important.

Chapters IV., V., and VI. describe *seriatim* the coal-fields of the British Isles, with general references to the history, prospects, and methods of development, the amount and quality of their production, their markets and *personnel*. Of special interest is the detailed survey of the coalfields of South Wales and Kent. The author opens up the definite prospect of the future converting "the garden of England," and possibly the portions of Hants, Wilts, and Berks with concealed coalfields, into teeming industrial areas. The possibilities of such changes in "rural" England are as supremely interesting as those arising from the increased exploitation of Irish coalfields. The subject-matter of Chapters VII.,

VIII. and IX. are the most technical in nature, but none the less interesting to the lay reader because of the easy and personal style of description and explanation. Chapter VII. deals with the methods of prospecting for coal by borings, of sinking shafts, and opening out seams of coal; the systems of exploiting the latter—coal-getting—by human labour and mechanical means are explained in Chapter VIII. The succeeding chapter describes the methods of preparing coals for the market in a way which shatters the popular notion that coal is a raw material saleable just as it is extracted from the bowels of the earth. Chapter X. completes the destruction of this illusion by showing that the methods which are being increasingly adopted to utilise coal to the utmost advantage are likely to make the “by-products” of the coal industry (previously neglected almost criminally as “waste” products) of greater value than the “raw” coal itself. Thus the coking of small coal or “slack” in recovery retorts yields invaluable supplies of tar, oils, sulphate of ammonia—the sources of benzol motor spirit—aniline dyes, T.N.T. high explosives, &c., to say nothing of the producer gas, coke, briquettes made from small coal, formerly wasted deliberately in some coalfields. Thus in South Wales the miners were not only refused payment for small coal, but were penalised for sending to the surface more than a small proportion in each tram. Chapter XI., utilising the technical framework indicated earlier, is a suggestive effort to apply economic theories, especially as regards the forces of Supply and Demand, in their relations to various branches of the coal industry and trade—*e.g.*, as regards the price of coal, the opening, working and profits of coal-mines, royalties, labour supply, and wages. The succeeding chapter gives a practical, if brief, account of the conditions of buying and selling in the coal trade, home and foreign, including special references to the practice at the ports of shipment as regards mixing, shipping, trimming of cargoes, &c. The account of the close organisation of coal-trimmers is of special interest.

The heart of the volume lies in Chapters XIV. to XXII.; for these describe in intimate fashion the economic and social aspects of the coal industry, upon the importance of which the author places so much emphasis. All the chapters reveal the wealth of the author's personal experiences, and have an intimate, almost conversational, style which brings the reader into closest relation with the subject. They contain much information which is original and the result of first-hand inquiry; but the order of the chapters might be regrouped subjectively.

Chapter XIV. (which would be better placed immediately after Chapter XVIII. on Sliding Scales of Wages and Conciliation Boards) describes the systems according to which wages are paid to colliery employees ; the references to the social effects of different price lists for cutting coal, enforced in different districts by custom or agreement, are of novel significance.

The alarming statistics of fatalities and accidents in the coal-mining industry are analysed and criticised in a keen but constructive fashion. The essential reduction of preventable accidents to a minimum is clearly attainable only by the enforcement of legislation and inspection. The moral of the Senghenydd disaster, which cost 439 lives, in the third of a series of explosions, is emphasised. For despite the warnings and the infringement of nearly a score of the provisions of the Coal Mines Act, the sum total of fines against the manager and his company was about £22, or, as a local Labour paper put it, "Miners' lives at 1s. 1½d. each"! Little wonder, therefore, that bitter feelings develop among the miners, that Syndicalists propose control of the mines by the miners, or that "safety strikes" occur as a method by which miners enforce their demands as to inspection, ventilation, &c. ! Useful suggestions for improved conditions are the increase in the number, practical experience, and independence of the inspectors of mines, stricter enforcement of the law, and the separation of the business and technical functions of colliery management.

Chapter XVII. traces the growth of trade unionism among the miners, from the organised strikes of the early nineteenth century and the "ephemeral unions" of 1835-60 to the stronger "county unions" of the 'seventies and the all-powerful Miners' Federation of Great Britain from 1888 up to date. The organisation, methods, policies, and leadership of these unions are considered in an interesting fashion.

The author harks back to the central problem of his subject—the conditions of life and labour in the coal industry—in Chapters XIX.-XXII. The meaning of the claim for the payment of minimum wages for work under "abnormal" conditions is explained in Chapter XIX., together with an account of the general strike of 1912 whereby this claim was enforced. The succeeding chapter describes the legislative solution of this crisis—the Coal Mines Minimum Wage Act, its principles, provisions, and application in the various coalfields. The considered judgment of the author is that this great advance in the establishment by the State of minimum employment conditions has been thoroughly justified by its successful working.

Chapters XXI. and XXII. are probably the most original and interesting in the book. The procedure in the mine is vividly described, and also the character-types of the miners in different coalfields—their social and political activities in trade unions, co-operative societies, religious, social, and political organisations in local and national politics. Chapter XXII. gives startling data as to the housing conditions in mining centres, including the appalling reports (official) as to overcrowded and insanitary dwellings in Scotland, Durham, and South Wales. Of particular social and moral significance are the evils of bad housing, the lack of pit-head baths and of accommodation for the unmarried “lodger” miners. The new agencies at work for solving these problems, especially the co-operative projects, are well described as to practice and prospects.

In Chapter XXIII. the author reverts to the technical aspects of the coal industry, dealing first with anthracite coal, the European trade in which is monopolised by West Wales. Chapter XXIV. analyses the enormous foreign trade in coal carried on between different countries, showing the great predominance of the United Kingdom as regards the overseas trade in coal. The considerations influencing this trade are examined, especially the vital effects of freight rates, which have proved a most important factor during the war. High freight rates are not only sufficient to stop a whole coal-field dependent largely on export trade, but by reducing the earnings upon outward cargoes greatly increase the homeward freights, and thus the prices for raw materials and foodstuffs. The importance of this reflex action of the export trade in coal cannot be over-emphasised.

In view of the dependence of Europe's reproductive capacity after the war, and also of the whole world's productive efficiency upon coal, Chapters XXV.–XXVII. are probably the most suggestive in the book. For they deal essentially with the future of coal—the “coal question” of the late Professor W. S. Jevons and a series of Royal Commissions since the 'seventies. For the workable reserves of coal are a vital asset of every country, most of all of the United Kingdom, whose industrial and commercial development has been based upon cheap coal.

Chapter XXV. opens the way to discussion by considering the possibilities of the “alleged rival” of coal, viz., mineral oil, used as a steam-raiser and as a direct source of power through gas and oil engines. The author deems that recent engineering progress is hailed as “the dawn of the oil age” more by imagination than by facts. He endorses the conclusion of the Royal Commission “that for certain purposes oil was far superior to coal, but that

on account of its strictly limited supply it could never become a serious competitor of coal for general purposes." Thus oil fuel for steam-raising and for direct use in Diesel engines presents many advantages as regards convenience, economy of space and labour, &c., especially for marine uses. But the future annual output of oil at its maximum (in 1914-15) is estimated at 120,000 million gallons, representing about 720 million tons of coal, or about half only the *present* world's output of coal and lignite.

The supply of oil does not seriously enter into direct competition with coal. Only the heavy derivatives compete with coal as a steam-raiser, and even these heavy oils are increasingly "cracked" to obtain the lighter motor spirits; not more than 25 per cent. of the mineral oil supply is likely to be needed for purposes displacing coal, and, making allowance for the future increase of coal output, about 6½ per cent. would represent the margin of competition with coal.

Already there is a need for supplements to petroleum supplies, sought by the distillation of alcohol from wood, potatoes, but, above all, from the distillation of the volatile products of *coal*. This brings us back to coal as the *ultimate source of power* as far as present knowledge applies. The future of oil is thus a part of the future of coal.

The crux of the latter problem is *not* as to the date of *ultimate exhaustion*, but as to when the *increasing price* of coal caused by increasing costs of production and rate of consumption will become a check to our industrial and commercial progress. This "coal question" is all the more serious for the British Isles in that they are relatively at a disadvantage as regards the problematic substitutes for coal—sun heat, water power, carbonised vegetable matter, &c.

In order to solve this "vital problem of national economics" statistical inquiries are skilfully used by the author in order to estimate the "gettable" reserves of coal, the probable rate of production and that of consumption as regards the British Isles, Europe, the British Empire, and the world. The estimates of various authorities are considered and revised according to the most recent data as to the possible depth of mines and thickness of workable seams. Taking for the former 4,000 ft. and for the latter 1 ft., and allowing 10 per cent. for waste in working, the actual coal reserve of the British Isles is estimated at 136,000 million tons, the possible and probable reserve at 61,000 million tons. The output up to 1913 is estimated at 12,577 million tons, or about 6 per cent. of the original supply of coal, allowing that

this includes the cream of coalfields like those of Durham and South Stafford.

Estimates of future consumption of coal in, and export from, the British Isles are taken at a rate which indicates that by A.D. 2150, or 234 years hence, three-quarters of their gettable coal reserve will have been exhausted. Long before that date the injurious effects of the increasing cost of coal will hamper our commercial and industrial supremacy, other things being equal. Little national consolation can be gathered from the fact that the coal reserves of Europe will be similarly approaching exhaustion, and that the supply of other continents as a whole is good for several thousands of years. The relative disadvantage of the British Isles is what will matter, and that will increase cumulatively as the coalfields of Central Asia, China, India, and America are developed.

The moral drawn is that every method should be adopted to conserve national capital and to increase the sources and supply of national wealth by improved education, research, and organisation, especially in economic and social matters. It must be remembered that even now countries without coal have by the methods indicated developed great and profitable commercial activities, to wit, Holland, Denmark, Norway, Switzerland, &c.

As regards the possible substitutes for coal in the future, the author looks to the use of water power, tides, direct radiant heat of the sun collected by mirrors; and, what is a most interesting suggestion, to the growth of luxuriant vegetation in tropical areas, to be burnt as a steam-raiser for coarser manufactures and for generating power transmitted elsewhere, or to be carbonised into briquettes for export as a fuel for temperate areas. In any case the author predicts that the latter will be forced more and more to specialise upon high-quality products and leave all coarser manufactures to areas producing the raw materials or the cheapest fuel.

The style of the author is throughout easy and clear, although there are many indications of the pressure under which the volume was prepared, as in the repetitions of the text and the defective arrangement of several chapters. The value of the work is unquestionable. As an objective study of the economic and social aspects of a national industry the book marks out many new and valuable directions of development. As a popular work it is equally commendable.

G. R. CARTER



*Inventors and Money-Makers.* By F. W. TAUSSIG, PH.D., LL.B., LITT.D. (New York: The Macmillan Co. 1915. Pp. ix + 138. Price 4s. 6d. net.)

THIS book, small in size as it is, is remarkable for the convincing proof afforded of the keen perception, the cool temper and sane judgment, and the large diversity of interests of the distinguished occupant of the Chair of Economics in a famous Transatlantic seat of learning. No attentive reader, we feel sure, would deny that in the ample range of fresh suggestion covered in these lectures on "some relations between economics and psychology" the usual boundaries of the former study have been deftly enlarged. Following the notable example set by Adam Smith, whose attitude, as he observes, has strangely escaped attention and dispute, Dr. Taussig emphasises aptly the great importance of "instincts" of various kinds as forces prompting and directing economic action. He enjoys, indeed, the happy privilege of discoursing on these interesting questions in an academic quietude refused at present to assenting or dissenting friends in Europe. Absorbed as we are now in the hideous pother of the war, we may fancy that faint echoes of that titanic struggle can be heard in these pages; and the "instinct of contrivance," to which illuminating prominence is here given, has, as we have lately realised, discovered an unhappy outlet in novel weapons of destruction. Yet the instinct of "devotion," which in another informing chapter is made to mingle an altruistic blend with the ingredient of self-interest that, less adulterated, imparts the prevailing flavour to the more assertive instincts of "acquisition and domination," is now at work in the pacific dealings of manufacturers and traders concerned, as a rule, with far less noxious products than guns or bombs, mines or torpedoes.

The "inventors" and "money-makers," we are told, are linked together by the circumstance that the latter body have rendered necessary assistance to the former; for brilliant *aperçus* might often have remained imperfect or unused without the intervention from outside of practical capacity and business knowledge. In other instances, however, a propensity for money-making has itself been a component element of the character, curiously simple or perversely whimsical, of those inventors of whom some striking portraiture is provided in this book. But it is the presence and action of "instinct" which form the more general and important tie of connection between the two, and Professor Taussig does not become less acute and suggestive in his treatment when he proceeds from the psychology of the inventor and his special

tastes and impulses to the greater variety of the instincts which actuate the money-maker. Nowhere, perhaps, is he more convincing than when he urges, on the one hand, that the zeal for contrivance and the joy in work cause the impatience of employers with trade union rules, and, on the other hand, maintains that the restrictive policies embodied in these regulations, together with more essential incidents of the ordinary wages system, opposed obstructive barriers to the promptings of a similar instinct in working-men. The instinct of domination, again, and that of pugnacity may explain the encouragement of trusts by ambitious business organisers, while the instinct of ratiocination has betrayed economists into an exaggerated fondness for their conception of "economic man." In consequence they have not paid sufficient heed to the reality of the rôle played by the idealising instinct of devotion in the concrete concerns of trade and industry.

In conclusion, we would remark that the last reproach the book deserves is that of being "frothy." Such a fault, Professor Taussig rightly fears, may be incurred by the incautious in reckoning instincts of an altruistic kind among the influences affecting economic conduct. But the admirable sense which has characterised his own earlier writing on the main familiar topics of an authoritative exposition of economic principles has secured him from peril of this kind. In his opportune excursion into these new attractive by-paths he has indeed made fresh additions to economic knowledge which cannot fail to be of use elsewhere.

L. L. PRICE

*Black and White in the Southern States.* A study of the race problem in the United States from the South African point of view. By MAURICE S. EVANS, C.M.G. (London: Longmans, Green & Co. 1915. Pp. xii + 299. Price 7s. 6d.)

THE object of this book is to find a *modus vivendi* between black and white, and the author's knowledge of conditions in South Africa affords him a valuable starting-point in his investigations. A brief consideration of the various manifestations of race prejudice leads to the conclusion that the feeling is most intense where the races are farthest apart, physically, mentally, and spiritually. In South Africa and in the Southern States of America race prejudice is at its maximum. This instinct is not to be lightly condemned: it has a protective element which guards the race from admixture and possible degeneration. There are those who hold that differences between races are superficial, and will rapidly disappear in a similar environment. This theory,

in the author's opinion, is devoid of foundation, and is arrived at by judging a race from a few isolated individuals. No change of environment can, in a short time, materially change the 'spirit of a race. But when prejudice leads to hostility and hostility to hatred, what might be a salutary protection may become unwarranted tyranny.

The history of the negro in the United States is an almost unrelieved tragedy. When the Civil War closed the South was left in utter chaos, and the negro was confronted with the hardest task that ever fell to the lot of any human being. Without education, traditions, or guidance of any kind, he passed direct from slavery to political as well as personal independence. He was never allowed to profit by his new privileges. In any case he was incapable of rising to the situation. At the best, the negro is emotional, vain, indolent and extravagant, lacking in foresight, devoid of enterprise and of organising or inventive ability. At the worst, he would rather steal than work, and prefers living on the proceeds of prostitution to either. City life has proved a veritable death-trap for the black man: he has not the stamina to resist its temptations and sinks rapidly to the lowest depths of destitution, degradation, and crime. He has shown no aptitude for commercial and industrial pursuits; in the professions he has achieved little; in domestic and personal service he has made no progress, and has no particular prospects. But as a farmer he has made good, and it is here that the hope for the future lies.

The real grievances of the negro are, perhaps, not so well known as they might be. Everyone has heard of the Jim Crow car, and of the exclusion of the coloured man, whether by State regulation or by public opinion, from hotels and places of amusement. What is not common knowledge is that various devices of political chicanery deprive him of the use of the vote which the Federal Constitution has granted; that he does not get impartial justice in the courts; and that he is seldom quite free from the danger of persecution. It is true that in the Northern States he has no open bitterness to face. Here he may ride in public conveyances; he may get the poor man's justice; he may vote, since he is numerically too insignificant to count; and he may work in such occupations as the white man has no use for. But the Trade Unions will not admit him, and, in any case, he is no fit competitor in an atmosphere of enterprise and hustle.

After a survey of the situation, remarkable alike for the moderation of its tone and the impartiality of its judgment, the writer expresses the hope that the worst point may have been

reached in the relations of black and white and that we may look for improvement in the future. He has not, however, succeeded in showing much ground for hope, and his own expression lacks conviction. Fifty years of legal freedom and of considerable educational and industrial opportunity have only brought the race to the verge of catastrophe. It is too late now for the old panaceas of deportation to Central Africa or complete segregation within the country. The white settler has made every domain his own, and space is no longer available. The negro's only hope lies in his opportunity for settling on the undeveloped land in the Southern States. In those rich and fertile districts every labourer can save out of his wage enough to buy land and prosper. In this respect the negro in the Southern States is far better off than the native of South Africa ; better off, indeed, than the British working-man. Will he rise to the opportunity and take it before it vanishes for ever? His truest friends, whether white men or the more fortunate of his own race, have devoted themselves to helping him in this direction. They work for social service, for moral improvement, for a clean and decent home life. This was the aim of Dr. Booker T. Washington, the ideal embodied in institutions such as Hampton and Tuskegee. A rival movement is that led by Dr. W. E. B. du Bois, the school of no compromise, which takes its stand on the text of the Federal law, and demands equality in all respects. It has no constructive policy, and lives by the exploitation of grievances. It makes its appeal, in the main, to qualities which the negro does not possess, and demands efforts of which he is incapable. Those who can respond are the men of mixed descent, the real victims of the system. In the United States every man who has the least trace of African blood is a negro. In no circumstances will he be admitted to white society, and any attempt at deceit would be suicidal. The man of mixed blood has accepted the position. But the iron has entered into his soul, and the disabilities, social, industrial, and political, which do not mean much to the black man, are to him intolerable. His problem would, indeed, appear to be insoluble, and the only suggestion made is that the white man shall develop qualities of restraint, which he has never yet shown anywhere, and refrain from adding to the numbers who have this lot to bear. If the negro has yet to learn the elements of a clean, healthy, honourable life, the white man has an even harder lesson. He must preserve the purity of the black race as jealously as he guards his own. The sin of the white man against the black, as Mr. Evans points out in his summing-up, lay not in slavery,

nor in economic exploitation, but in the degradation of the negro race by illicit intercourse. Here, at all costs, the white man must learn to act as he talks. Further, he must stop lynching and mob violence. He must frankly face the fact that the races are different and that a measure of separation is essential, but that the black man must have the full protection of equal justice and the equal opportunities which he himself enjoys. He can afford to discard his favourite bogey of negro domination; there is nothing in the character or capacities of the negro to lend it the slightest justification. The American treatment of the problem has proved a complete failure. The experiment, generous no doubt in intention, of giving a backward people equal political rights and leaving them to make what they can of the situation has proved a tragic farce. Moreover, it has blocked the way to alternatives that might have been successful two generations ago. To-day the only comfort which the author can derive from an investigation carried out with sympathy, insight, and impartiality, would seem to be that, although no issue is in sight, the problem need not ultimately be insoluble.

H. REYNARD

*The Wealth and Income of the People of the United States.* By WILLFORD ISBELL KING, PH.D. (New York : The Macmillan Company. 1915. Pp. xxiv + 278. Price 6s. 6d. net.)

THE main object of this book is to present in a form capable of being understood by the non-technical reader a broad and comprehensive survey of the growth, present amount, and distribution of the wealth of the people of the United States. The author also discusses more broadly problems connected with the distribution of wealth, the condition of the working classes, &c. The subject is essentially one which requires statistical analysis, and the book accordingly contains numerous tables and diagrams. But as the author is writing not merely for professional economists, but for others also who take a more general interest in economic affairs, he contents himself as a rule with presenting results, and does not enter into detailed discussions of statistical methods or of the value of the material with which he deals. In the hands of a less capable statistician than Dr. King the value of the work might be seriously impaired by the adoption of this method of presentation. Dr. King, however, possesses a thorough grasp of statistical method, and we are inclined to think that considerable reliance may be placed upon his results. The statistical material, obtained largely from successive United States

Census returns, can indeed be accepted only with a wide margin for possible error, but the author repeatedly shows that nobody is more fully conscious of this than himself. He frequently notes the extent of the possible error in the statistics.

After two introductory chapters, the author begins his statistical presentation by an account of the changes in the social wealth of the American people during several decades past. The conclusion, as might be expected, is to confirm the popular impression that "as far as dwellings, furnishings, vehicles, clothing, &c., are concerned, we live in a state of luxury that our fathers knew not of." Considerable interest attaches to the next chapter, in which the author examines the distribution of wealth among families in Wisconsin, comparing it with the distribution in Prussia, France, and the United Kingdom. He presents his results largely in the form of graphs, showing the deviation of the actual distribution from the line of equal distribution. The conclusion reached is that there is "no marked difference in the distribution of wealth in France or Prussia in 1908 from that in Wisconsin in 1900." This Dr. King explains on the supposition that, "given a competitive system of industry and trade, and similar laws of property and contract, wealth tends to be distributed in proportion to certain natural qualities inherent in the human mind." The much more uneven distribution of wealth in the United Kingdom he sets down to the laws of inheritance. So far as the United States is concerned, the author argues from Wisconsin and Massachusetts statistics of deceased estates that "there is no marked progress towards greater concentration in the hands of the few."

Chapters VI. and VII., which treat of the national income and its distribution among the factors of production, are also of considerable interest. The explanations which the author offers for the phenomena revealed, however, cannot always be accepted without question. This is notably the case with regard to his explanation of the falling off in recent years of the proportion of the national income going to labour, and the decline of commodity wages. His conclusion is, broadly, that the law of diminishing returns from land has come sharply into operation in America in the last twenty years; that the American labourer has been unable to withstand immigration of low-paid labourers from abroad, and that commodity wages of American labour have, therefore, been forced down. He admits, indeed, that the falling off in commodity wages may be partly due to money wages having lagged behind commodity prices, but he does not inquire whether

new inventions and the law of increasing return in manufacturing industry may not have more than offset the growing difficulty of wringing produce out of the land. Nor does he discuss the effects of the trusts, while the fact that the fall of commodity wages extends also to Europe appears largely to escape his attention.

The author cherishes intense animosity against the poor European immigrant and his ancestors, but we cannot regard as very wise or informing the answer which he gives to a question which he propounds—Why did the ancestors of the present generation bring into the world children whom they could afford neither to educate nor to train for some occupation the products of which were sufficiently in demand to make a living wage easily secured? His reply is: "Simply because these same parents were either incompetent, ignorant, or unwilling to restrain their animal passions." Fortunately, such quotations are not typical of the author's work.

C. K. HOBSON

*Old Age Pensions.* By H. J. HOARE, B.Sc., LL.B., Clerk of the Local Pension Sub-Committee for Camberwell and Lewisham. Introduction by Sir Laurence Gomme, F.S.A. (P. S. King and Son. 1915. Pp. 196. Price 3s. 6d. net.)

THIS is a clear and very sensible account of the working of the Old Age Pensions Acts, which will be useful to members of local pensions committees and to social workers and others whose friends are approaching the financial haven of seventy years. It is interesting, on the theoretical side, as a study of one of the ever-multiplying points at which local and central administration meet—in this case with little friction. The author's attitude, however, is that of the official, full of enthusiasm for the Acts under which he has worked, not that of the local representative or the theorist. Throughout the book he gives a straightforward account of actual procedure, some practical suggestions, but little discussion of principles, of abstract questions as to rights and wrongs of non-contributory pensions, or the logical relation between pensions and poor-law relief. Much has been written elsewhere on these subjects, and the reader may be grateful for the author's abstention.

The book (written just before the war) begins with an explanation of the meaning of eligibility for a pension, with regard to age, nationality, and means. Some strange anomalies still exist, even under the Act of 1911, which smoothed away many difficulties. Thus "a person claiming a pension who lives in his

own house . . . may have his means estimated at, say, £34, the net rateable value of the house, which deprives him of a pension; but as soon as he moves to another house of the same character, his means are one-twentieth of the capital value of the house, say £300, which is £15, and he is entitled to a 5s. pension" (p. 63). Then there are complications about the assessment of charitable allowances as part of income, which are perplexing those who now wish to supplement the State pension as an offset to war prices.

The poor-law disqualification is practically gone—its present position might be more clearly stated in the book—but the anomaly remains that, while an individual may receive the Old Age Pension when he is in a workhouse infirmary, this stops when he moves across into the workhouse itself, and in neither case do the ratepayers benefit from the taxes. Up to March, 1913, only 366 appeals had been made against decisions of local committees that applicants were ineligible on the score of previous idleness; so far had these committees carried their reluctance towards inquisitorial inquiries into an applicant's past. The statistics quoted as to the effect of pensions on pauperism and its cost are interesting. "It would appear that the actual saving to the rates in London (from the Old Age Pensions Acts) would be . . . a  $\frac{3}{4}$ d. rate on the assessable value of London; whereas the cost of old age pensions in London . . . is equal to a rate of 4d. in the pound" (p. 177).

Chapter VIII. describes the machinery by which the Acts are worked—machinery shared between the Board of Customs and Excise and the local pensions officers, the Local Government Board, the local pensions committees, with the Postmaster-General and the Treasury in the background. Authorities thus trained in adaptability to the official routine of different departments, and in assessing quickly working-class incomes, were naturally selected to deal with the military and naval dependants' allowances in the stress of the autumn of 1914.

The author urges that the present law as to the inalienability of Old Age Pensions should be altered in the case of lonely and infirm pensioners who cannot take adequate care of themselves; that administration should be simplified by handing over the Local Government Board's share of control to the Board of Customs and Excise (but surely the Local Government Board is the last authority to be left out); that charity, and especially endowed charity, should be better co-ordinated with old age pensions; and that a pension should be suspended after four



weeks' payment when the recipient is in a workhouse infirmary. He scouts the suggestion of transferring a pension to the guardians and of thus relieving the rates from the taxes, equally in the case of a person receiving ordinary and medical indoor relief under the poor law. The present demarcation between the forms of public assistance for people over seventy is, however, quite illogical, and war conditions and prices are constantly making this more apparent.

There is no index, which is a real defect in such a work. Otherwise it is an excellent and human handbook.

C. V. BUTLER

## NOTES AND MEMORANDA

### THE MONETARY DIFFICULTIES OF EARLY COLONISATION IN NEW ZEALAND.

#### I.

##### *Government Debentures as Inconvertible Paper Money.*

NEW ZEALAND became a Colony of the British Crown in 1840. It did not receive representative Institutions until 1852. The experiences of the Government during the first few years after the proclamation of British Sovereignty bore ample testimony to the difficulties which the lack of banking facilities and a sufficient currency can occasion.

Prior to the cession of autonomy the Colonial Government was but an arm of the Imperial Government, and was carried on at the latter's charge. It was estimated by the Colonial Secretary that in 1844 the missionaries and military of New Zealand drew £60,000 from England. To this annual charge upon the Mother Country had to be added the salaries of the civil servants. This involved heavy drafts upon England, and explains the great excess of imports over exports in the infancy of the Colony. In 1842 Wellington imported goods to the value of £38,840 from England, while her exports to that country were nil; and in the same year her exports to the United States of America were £12,156, and her imports from that country £73,743, showing that Great Britain was partially defraying the cost of colonial government through America. There being always a balance payable by Great Britain to New Zealand, Governors were in the habit of drawing bills on the Imperial Treasury in anticipation of money to be received. These bills were sometimes discounted by the local banks, the Union Bank of Australia, and the New Zealand Banking Company, and sometimes circulated as a form of currency, when they were accepted by creditors of the Government in payment. They always bore interest ranging from 5 per cent. to 8 per cent. The Bank's ordinary rate of discount was  $12\frac{1}{2}$  per

cent., but the Government could generally arrange with it for the transmission of money from England for a commission of 5 per cent. Besides negotiating bills on the Treasury, the Government paid for much of the land it purchased from the Maoris by land scrip. This scrip consisted of promissory notes of the Government charged upon the Colonial Exchequer, and payable as funds became available. In 1856 the Hon. Mr. Sewell stated in the House of Representatives that there was afloat at that time £100,000 of land scrip.

The early years of colonisation in New Zealand were not years of prosperity, but of much hardship and inconvenience, arising from the absence of the ordinary accessories of civilisation. For the most part a great deal of labour and capital required to be expended before cultivation of the soil could be fruitful. Much of the land was covered with dense forest and much of it was swamp. It was common to measure progress in those days by the number of acres that had been cleared of bush. The settlers were ill-provided with capital, and dependent upon colonising bodies such as the New Zealand Company for the land upon which they settled. Troubles without end encumbered the activities of the New Zealand Company. Settlement was hindered by long and angry disputes over land claims. The Maoris were a constant source of peril. There were no facilities of communication between place and place. The country was roadless and bridgeless. For many years the colonists were largely dependent upon other countries for the supply of a great portion of their substance. To add to these natural embarrassments the immigrants counted too many artisans and clerks among their number. The proportion of these needed was small until the primary industries had become well established. *The Bay of Islands Advocate* of November 18th, 1843, bewails the general depression, and ascribes it to there being too many shopkeepers and mechanics and not enough tillers of the soil. Many of the colonists, too, it must be admitted, journeyed to New Zealand, not for the purpose of permanent settlement but in order to make a speedy fortune out of land transactions and other speculative dealings. They came furnished with a little money for speculation—not for capital to be employed in developing the country's resources. To these troubles were added frequent Maori uprisings and incompetent administration of the colony's affairs. No doubt the difficulties of government in those early days of colonisation were tremendous, and would have taxed the resources of the ablest men. Nevertheless, after making all allowances, Governors Shortland and Fitzroy must be

charged with an aggravation of the difficulties. On April 19th, 1843, a Memorial of Grievances was addressed by the settlers to Lord Stanley, Principal Secretary of State for the Colonies.

One act bitterly complained of had reference to certain bills, amounting to £5,000, drawn by Governor Shortland upon the Imperial Treasury. The Colonial chest was empty, and the Governor was pressed for means for carrying on the administration. Anticipating difficulty in negotiating the bills in New Zealand, he forwarded them to Sydney to an agent, upon whom he drew for the amount of the bills. The memorialists stated that had the bills been offered to colonial merchants they would have secured purchasers at par, thereby securing a good price to the Government, and assisting the importers in providing means to meet their debts to Great Britain. Instead of this mutually beneficial course being adopted the bills were sent to Sydney. There, after remaining for some time unsold, the drafts drawn against them for immediate use of the Government were dishonoured, to the great loss of those who negotiated them. They were then handed over to an agent and sold at the unheard-of rate of 15 per cent. discount. Such were the best terms upon which the bills could be disposed of, although secured by debentures to which the revenue of the Colony was pledged.

The difficulties of government, the constant need of money, and the equally constant reluctance of Downing Street to supply it, are indicated by the following from the despatch of Lord Stanley, dated October 27th, 1844 :—"In your despatch No. 11 you make pressing application for assistance from this country in clearing off existing debts of the colony and in defraying the necessary annual expenditure. The Government of New Zealand has already been warned not to place any further reliance on large and undefined assistance from the funds of this country."

Time and again the Government was at the end of its resources, with the Maoris in rebellion and creditors pressing on all hands. The issuing of bills on the English Treasury was often the only means of carrying on. Governor Grey, in a despatch to Lord Stanley, October 18th, 1842, intimated that he had drawn on the Lords of the Treasury for £13,976 8s. 3d. to pay debts owed by the local Government; but the Imperial Government was reluctant to honour unauthorised drafts, and this reluctance made bills of uncertain value. In December, 1843, the Imperial Government stated that it would assist local revenues to the extent of £7,000 only per year. Governor Hobson had previously negotiated three bills of £5,000 each with one Mr. J. H. Wray, but

their acceptance had been refused by the British Lords Commissioners. Authority, however, was given by despatch of April 10th, 1843, to issue debentures for the amount of these bills. Purporting to act upon this authority Governor Fitzroy issued a number of debentures without consulting his Council and without publishing the despatch referred to.

The history of these debentures throws a flood of light on the monetary conditions of the time. When Captain Fitzroy arrived in 1843 he found an almost empty treasury, and by April, 1844, the Government was practically penniless. He appealed to the Imperial authorities for relief, but the urgency of the matter would not admit of the delay incident to waiting for a reply, and, bethinking him of the despatch authorising debentures, he began the payment of debts by Government debentures. The despatch only authorised the issue of debentures to meet a specified debt of £15,000; Captain Fitzroy used it as a convenient form of currency to pay debts generally. The Colonial Treasurer one morning on going to his office found the intended issue characterised by the following words painted on his door: "Notice—This shop to open shortly with a prime stock of bran new debentures." The misgiving, however, with which the expedient was greeted did not deter the Governor, whose plight indeed was well-nigh desperate. In May a great many long overdue payments were made in what were at the time dubbed "Government rags." The recipients were from the first distrustful, and one man within a week after they were issued offered forty 20s. debentures at public auction. They realised only 17s. to 18s. each in coin. The result of this auction caused quite a financial panic on a small scale. The New Zealand Banking Company found its notes immediately involved in the same suspicion. There ensued a "run" on the Bank in Auckland. The debentures had only been issued a week when depositors were to be seen rushing to the Bank demanding the return of their deposits in coin. The situation was acute, and Dr. Martin and Mr. Whitaker, two prominent citizens of Auckland, held a hurried interview with the Governor, the outcome of which was a proclamation making the debentures legal tender. This eased the Bank, and it began to return deposits in debentures, thus immediately arresting the demand. Having embarked on the perilous course of inconvertible notes, it was difficult to stop, and the Governor issued debentures of 5s. and 10s. on the pretext of providing a convenient circulating medium of low denomination. The depreciation of the notes was shown in the premium of gold, and the gold was largely withdrawn from

domestic circulation. The example of the Governor was soon followed by merchants, who issued their promissory notes to be used in the place of small change. Considerable quantities of notes of 3d. and 6d. found their way into circulation.

Governor Fitzroy found that while it was a simple matter to issue Government notes it was a very hard matter to induce tradesmen to accept them at their face value. Hence arose his hurried investing of them with the quality of legal tender. Having done this, he sought to cover his action by obtaining the sanction of his Council, and on May 7th, 1844, it was proclaimed in the *Government Gazette* that a Bill would be laid before the Legislative Council at the earliest possible period to authorise the issue of debentures to the amount of £15,000 and to make them legal tender. At the same time the despatch of April, 1843, was published.

Accordingly, on May 16th, 1844, the Council passed "An Ordinance to authorise the Governor of New Zealand to issue debentures and to make the same legal tender." This was one of the first measures passed by the Legislative Council of New Zealand. It was not carried without question, and indeed evoked considerable discussion. From this debate it appears that the Colony was in immediate want of a circulating medium of an undoubted character. The bank-notes of the Union Bank and the New Zealand Banking Company were inadequate to meet commercial requirements. The Governor estimated the circulating medium of New Zealand at the time at £18,000 and Dr. Martin at £10,000. It was proposed to issue Government debentures to the amount of £15,000 bearing interest at 5 per cent. per annum. Although the real ground for turning Government debentures into money was the embarrassment of the Government, the need of an increased circulating medium was admitted by all the Colonial newspapers, and can scarcely be gainsaid. To meet this need the debentures were issued in sums as small as 5s. and 2s. They were also issued in triplicate for convenience of remittance to Sydney.

Unfortunately the Ordinance was not in accordance with the authority of the Imperial Government, and when forwarded for the Royal sanction was disallowed. Indeed, when the Bill was before the Legislative Council in New Zealand, Mr. Brown, a member of it, challenged the legality of making the debentures legal tender. The Governor, however, informed the Council that he had sufficient authority from the Queen to issue them as proposed without the sanction of the Council. That he exceeded

his instructions is clear from a despatch from Lord Stanley to Governor Fitzroy, dated October 27th, 1844, which reached New Zealand about April the following year.

The conduct of Captain Fitzroy in issuing inconvertible debentures as currency was the subject of strong animadversion by the London Press,<sup>1</sup> and occasioned many references in the British Parliament. These references are collected in the *New Zealand Journal*, 1845-46. In his despatch accompanying the debenture Ordinance the Governor says in a postscript, "I ought to add that the issue of debentures as a paper currency (however contrary to my instructions) and making them a legal tender has saved the Colony generally much misery." It is perfectly clear that in authorising the issue of debentures as a means of postponing the payment of an ascertained debt it never entered the mind of the British Colonial Secretary to sanction a policy of creating debentures as a medium of general exchange.

Captain Fitzroy's necessities would not permit him to carry out the instructions contained in the despatch of October 27th, 1844. Without the knowledge of the Colonial Secretary he had already issued debentures far in excess of the purported authority of the Ordinance of April 10th, 1843. Instead, now, of replacing debentures already in circulation with new £50 debentures, he issued the latter without recalling the former. Indeed, on April 10th, 1845, the Legislative Council passed a resolution in the following words: "That it appears to this Council that the issue of debentures under existing circumstances should be extended sufficiently to pay off the debts due by the Colonial Government, and that the interest on such debentures should be a first charge on the Colonial Revenue." The greatest alarm was occasioned in commercial circles, and on July 2nd, 1845, a public meeting was called in Wellington to protest against the policy of the Governor with respect to debentures.

A memorial was presented to the Governor requesting information concerning the quantity of debentures in circulation. Needless to say, the information was not forthcoming. According to the *Spectator* (New Zealand), the debentures had driven the coin and bank-notes practically out of circulation. "The currency of Auckland consists entirely of debentures." The speech of Governor Fitzroy to his Council on April 5th, 1845, sufficiently establishes the recklessness with which debentures were issued.

<sup>1</sup> The *London Times*, 15th May, 1845, and *The Morning Chronicle*, 16th March 1845.

"He thought it right to give the best security he could ; he should therefore pay the arrears with the new debentures of £50 and upwards, which would bear an interest of 8 per cent. The resolution of payment of only half salaries would be rescinded, and the new debentures would be, if not actual payment, security until he ascertained from England how far the Home Government would assist us."

From the Governor's embarrassments there was no possibility of extrication with honour. Before the close of April, 1845, Lord Stanley's despatch of October, 1844, commanding the Governor to recall the debentures had been published in the Press of the Colony. As nothing was done to execute these commands, and it was well known that debentures to an amount of far more than £15,000 had been issued, the debentures rapidly depreciated. Being illegal, they could not very well be legal tender.

By the end of 1845 they had fallen to 20 per cent. below their face value. These excesses of Governor Fitzroy in conjunction with other marks of maladministration occasioned an almost unanimous demand for his recall.

Captain Fitzroy was accordingly recalled, and Captain Grey (afterwards Sir George Grey) was appointed on November 18th, 1845. He immediately prepared to put into effect the orders contained in the despatch of October, 1844, and the subsequent despatch of April, 1845, disallowing the Ordinance of May, 1844. On November 22nd, 1845, it was announced in the *Government Gazette* that "the Lieutenant-Governor will lose no time in making the best arrangements that the means at his disposal will admit of for obviating the difficulties and inconveniences which in the present state of the circulating medium of the Colony may result from the disallowance of the above-mentioned Ordinance." Governor Grey was supplied with £15,000 by the Home Government for the redemption of the debentures issued under the Ordinance, and only discovered on arrival in the Colony that three times that amount had been issued. Finding it impossible to redeem them all, he offered to pay one-fourth of the debentures in specie and the remainder in funded (irredeemable) debentures bearing interest at the rate of 8 per cent. per annum.

This is the only period in her history when New Zealand has had an inconvertible currency. It arose, like all such money, out of the financial necessities of the Government. Those necessities in New Zealand were largely, but by no means altogether, the outcome of Governor Fitzroy's blundering administration. He was quite unfitted for the task imposed upon him. The most



important question of the time was the settlement of the land claims. It does not come within the scope of my inquiry to attempt to assess the merits of the fierce controversy that for many years raged round this question. There seems to have been an over-eagerness on the part of land speculators, whose dealings with the Maoris occasioned endless disputings concerning title. Whatever the Governor did seemed to make confusion worse confounded. His incompetence precipitated wars with the Maoris and hindered the colonising activities of the New Zealand Company. He so badly mismanaged things that he cut off pretty well every source of local revenue and enormously increased local expenditure. His plight was such that he had to repudiate the Colony's creditors and stop the machinery of administration, or resign and transfer the muddle to his successor, or issue debentures to be paid at a future time when conditions were improved. He issued the debentures first and sought authority for them afterwards. Under cover of sanction to issue debentures to cover dishonoured bills on the Treasury drawn by Governor Hobson, he obtained the consent of the Council to the Ordinance of May, 1844. He had in the meantime informed the British Government that he had issued some debentures and made them legal tender. While the Ordinance was on its way to England to obtain the Royal approval, Lord Stanley despatched instructions to recall the debentures which he had learned had been issued, and when he afterwards received the Ordinance he promptly secured its disallowance. But long before this had taken place, not £15,000 but £45,000 of debentures had been issued. There is little doubt that this paper currency, by making the medium of exchange of uncertain value, embarrassed the trade and industry of the Colony, and greatly increased the depression which more or less affected New Zealand owing to the financial distress of Australia. While banks were closing doors in Australia, the Government of New Zealand was issuing inconvertible notes. Lord Stanley admitted in 1844 that these drafts had become unsaleable. Then came the last desperate expedient. As the drafts could not be turned into cash wherewith to pay debts, they, in the form of debentures, were forced upon creditors in lieu of cash.

It is not easy to see a legitimate course that was practicable to the local Government at that time. It must also be remembered that the repudiation of the legal-tender debentures greatly accentuated their depreciation and intensified the embarrassment of business. No doubt such disavowal was necessary. It would

have been calamitous to allow the policy to continue of circulating debentures as an inconvertible paper money. Nevertheless, without them, the Government would for a season certainly have come to a standstill. The Imperial Government should have recognised the difficulties, and furnished the Colonial Government with adequate funds.

## II.

### *Convertible State Notes.*

While such experience was fresh in the memory of colonists, while indeed the greater proportion of the illegal State notes were still unredeemed, Lord Grey sent to Governor Grey an important despatch urging the establishment of a State Bank for the issue of convertible bank-notes. The despatch was dated February 2nd, 1847, and the following important extract from it was published in the *Government Gazette* of July 8th, 1850 :—

"The discussions which have taken place of late years, and more especially the proceedings of Parliament upon the occasion of the last renewal of the Bank Charter have, I apprehend, in the judgment of those whose authority is of most weight on this subject, finally settled the principles upon which a paper currency ought to be regulated. Although a regard for existing interests has prevented these principles from being acted upon in this country to their full extent, there is no longer much difference of opinion as to the general nature of the system which an adherence to them would prescribe. In New Zealand I believe that no such interests have yet grown up, though they would not fail speedily to do so; it is, therefore, I trust still possible in that Colony to secure the great advantages which could not fail to result from the establishment of a paper currency regulated upon the most correct principles. The view which I take of these principles is as follows: The business of banking, or of dealing in money, and that of issuing paper money, I consider to have not merely no necessary but no proper connection with each other. The former is a branch of commercial business which should be left, like every other, to private enterprise; but to issue money, that is, to furnish the authorised medium of exchange, is one of the peculiar and not the least important functions of the Government. With respect to the coinage this principle has always been recognised, nor is there any attribute of Sovereignty which has been more strongly insisted upon and more rigidly guarded from invasion by the Supreme Authority of almost every State, whether of ancient

or modern times, than the exclusive right of coining money for the use of its own subjects. As to the issue of paper money, a different rule has generally been followed, but as experience has proved with the very worst results. By allowing the issue of paper money to become a commercial speculation the amount issued from time to time has been made to vary, not according to the real wants of the community, but according to the interest of the issuers. Thus the value of this description of currency has been rendered uncertain, and all the evils have been entailed upon the community which result from the want of uniformity in the measure of value and general medium of exchange. The value of a metallic currency is not liable to injurious fluctuations simply because the amount in circulation cannot be arbitrarily varied, but is self-regulated by the exchanges of which the operation is too powerful to be controlled by law. In order, therefore, to unite the advantages of cheapness and convenience which belong to a paper currency with those of steadiness and uniformity of value which belong to a metallic currency, one of the former description ought to be so regulated that the amount in circulation should vary according to the same laws which govern the latter. This is to be accomplished by providing that paper money beyond some fixed amount, clearly within the wants of the country in which it circulates, shall only be issued in exchange for the precious metals, and that it shall always be payable in the same. Under this system the circulation can only be increased when it is the interest of private individuals to import bullion which they may exchange for paper, and can only be contracted in like manner when it is their interest to demand bullion in exchange for paper. The system now established in this country by the authority of Parliament is founded upon this principle, to which it conforms as nearly as the necessity of having regard to vested interest would permit at the time the arrangement was made. In New Zealand a simpler and more perfect system may, I hope, be adopted.

"All I wish earnestly to press upon your attention is the importance of occupying, if possible, the ground by some Government paper before private banking companies shall have taken possession of it. If this is neglected I am persuaded that it will practically be impossible to prevent such companies from being formed, and from issuing notes for circulation. It will be equally impossible to confine the privilege to any single private company. Such a monopoly would be sure to create too much dissatisfaction among all excluded from sharing in its profits to be long main-

tained. The consequence would be that banks of issue would be established, and that in seasons of commercial prosperity the competition of these banks would unduly extend the amount of paper in circulation, thus raising prices and stimulating, precisely when it ought to be moderated, the spirit of speculation, thereby ensuring whenever the reaction came, as come it must, a more than corresponding depression and wide-spreading ruin and distress.

“(Signed) GREY.”

It will be noticed that Lord Grey's proposal was based on the currency principle which the Bank Charter Act, 1844, was intended to carry out. The supporters of this principle were triumphant in England at this time: and it is not surprising that in laying the foundations of a new nation in New Zealand the governing authorities should accept the doctrine concerning paper money which was sanctioned by the adherence of the leading financiers of the age. It is essential to a proper understanding of the State Bank of Issue to mark that among its antecedents this belief in a generally acknowledged economic dogma was an important one. According to the currency principle paper should not be used to enlarge the currency, but only as a substitute for coin. In New Zealand, while there was a mixed coinage, the chief defect from a colonial point of view was its weight and bulk and general non-portability, a matter of grave concern to scattered communities with few banking facilities.

Lord Grey's despatch was published in the New Zealand newspapers about the middle of August, 1847, and immediately occasioned a heated controversy. The despatch was viewed with misgiving, and indeed alarm, by many of the leading merchants of Wellington, and they addressed a memorial of protest to the Governor of the Colony. They plainly manifested their utter lack of faith in the convertibility of Government paper money. Apparently they paid little heed to the provision that notes should be exchangeable for cash only. The fact was, they feared the facility with which Governments, being law-makers, can alter the law to suit their immediate needs. While the precautionary measures laid down by Lord Grey were ample to secure the absolute stability of the notes so long as they were observed, what assurance was there that they would not be suspended in a time of difficulty? Unfortunately the conduct of the Government had not been such as to inspire confidence. The public at the time were smarting under the enforced circulation of the illegal deben-

tures which were equivalent to an inconvertible paper currency. From the opening words of the despatch it was apparent that Lord Grey was under the impression that all the debentures had been recalled. The fact was, as has been stated, that Governor Grey had been unable to redeem at first more than about one-fourth, and upwards of £30,000 of Governor Fitzroy's debentures had simply been exchanged for debentures at a higher rate of interest.

It appears that Lord Grey was unaware of the bank-notes issued by the Union Bank. The amount of its notes in circulation at the time it is difficult to ascertain with precision, as the Bank had ceased temporarily to publish its returns. Business had shrunk so greatly that it was not solicitous of publicity. The last return published in the *Gazette* was for the quarter ending June 30th, 1842. The notes of the Union Bank then in circulation were £10,357, and the New Zealand Banking Company had a circulation at the same time of £5,385, making a total of £15,742. The note circulation of the Union Bank at the time of the State Note Ordinance was, according to an uncertified return given by Mr. A. Kennedy, Manager of the Auckland Branch, £14,592. Banking had fallen on evil days in the Colony. A few years previously the New Zealand Banking Company had gone into liquidation. Its notes were redeemed, but not without the assistance of Government debentures, which to some extent had to be accepted by the note-holders in lieu of cash. This banking company had been severely injured by the Maori War. In 1845 Kororareka, its headquarters, was destroyed. In 1846 the half-yearly reports of the Union Bank tell us that the New Zealand branches had been reduced to little more than exchange agencies. The internal commerce was left practically unsupported by banking facilities. Besides, the notes that were in circulation were not strictly convertible in cash on demand. This appears from the references to the Bank by the contemporary Press in 1844. It systematically refused specie for its notes, and the Wellington branch, for instance, would not give in exchange for its notes drafts on another branch—as Nelson—except at a discount. The Union Bank opened a branch in Auckland in the beginning of 1848, and when notes of the Auckland branch were presented at Wellington they were exchanged only at a premium of 2 per cent., and if gold were asked for the premium was 3 per cent. So that while it was not true that no description of paper money was in circulation in the Colony, there was no sound paper money. What there was was deficient in quality and quantity. Lord Grey did

not in any way overstate the need of the Colony for an adequate issue of efficient bank-notes.

The unpopularity of the Union Bank did much to win a measure of approval for Lord Grey's proposal. To many settlers this bank seemed designed, not to aid development, but only to exploit the Colony for the profit of foreign shareholders. Complaint was made that it contracted credit at most inconvenient times; that its exchange rates between the leading settlements was excessive; that it afforded no facilities at all for exchanges with the less populous settlements, thereby necessitating the carriage from place to place of large quantities of money; that it paid no interest on deposits; that its discount rates were very much higher than they were in Australia; and that in negotiating Government drafts its terms were such as greatly to increase the expense of administration.

On October 11th, 1847, five days prior to the passage of the Ordinance authorising a bank of issue, there were Government debentures in circulation to the amount of £30,371 17s. 2d., and on the date mentioned an Ordinance was issued providing for the redemption of these debentures out of the general revenue of the Colony.

I may now summarise the conditions prevailing in the period immediately preceding the establishment of a bank of issue. An inconvertible paper currency had been forced on the Colony by the Government. The Union Bank to a large extent suspended all banking functions but that of effecting exchanges. The New Zealand Banking Company had just closed its doors. The country was in sore need of a sufficient and trustworthy currency; commerce between the various settlements was seriously impeded by the absence of a convenient means of transmitting payment; in short, progress was hindered because of inadequate banking facilities. Under such circumstances Governor Grey, with the advice and consent of his Legislative Council, issued on October 16th, 1847, "An Ordinance to authorise the establishment of a Colonial Bank of Issue by the Government of New Zealand to make and issue a Paper Currency, and to prohibit the making and issuing of Paper Money by Private Individuals." Under the authority of this Ordinance a bank of issue called the Colonial Bank of Issue was established, and carried on business in Auckland and Wellington. The Ordinance sets forth the function of the bank, and prescribes the conditions under which it shall operate. It was entirely a State Bank limited to the issuing of bank-notes of denominations of one pound or any multiple of a pound. The

notes were issued only in exchange for cash, and were redeemable on demand in cash. The intention was primarily to provide a stable paper money which should replace to some extent the more inconvenient coin. It was not so much an increase of currency that was aimed at as a more portable one, and one that would circulate more quickly, thereby increasing the efficiency of money. The population was scattered, and the only banking houses were at Auckland, Wellington, and Nelson. Men had to carry considerable quantities of money about with them. At the present time in New Zealand practically every village has its bank, but in the early days of settlement the people were of necessity custodians of their own money, and there being no machinery for effecting exchanges between different places they had to transport their money to the places of payment. A reliable paper money was an urgent want. The notes resembled the Treasury Notes of the United States of America. They were in effect Government receipts for coin deposited, convertible into coin again at any time on demand by the bearer of the receipts. Ample measures were taken to secure the notes against any depreciation of value. In the first place they were issued only in exchange for coin, and one-fourth at least of the nominal value of the notes was required to be kept in the Bank's coffers in coin as a reserve to meet the current demands of the public. This reserve was increased to one-third by an Ordinance of July 31st, 1851. It is to be remarked also that when notes returned to the Bank they could not be re-issued except in exchange for an equivalent amount of cash.

Secondly, although provision was made for investing the balance of the coin, only investments realisable on three months' notice were allowed. The investments were to be made as funds were available, so that they would mature at different times. The investments were thus intended to be liquid. As a matter of fact they were all made in English Consols.

Lastly, the ultimate payment in cash of the notes was chargeable upon the general revenue of the Colony. Briefly, then, the Colonial Bank of Issue was a Government Department which undertook the custody of coin free of charge, and in return for the coin issued notes, convertible on demand, of a face value equal to the amount of the coin deposited. The Government provided the public with a money convenient for circulation, and the expense of the accommodation was intended to be met out of the interest earned on the investment of the cash not required as a reserve. Any surplus of interest was payable into the Colonial

Exchequer. The notes were made legal tender for sums of £2 and over. One object of this Ordinance was to make the issue of paper money a monopoly of the State. Consequently the right of note issue was denied to private institutions.

The Paper Currency Ordinance encountered hostility from the outset. It occasioned the first strenuous political debate in New Zealand. The Attorney-General and the non-official members of the Legislative Council hotly contested the passage of the measure when proposed on August 17th, 1847, by Governor Grey. The addresses of the Attorney-General and Mr. Brown were of a high order, and indicated a statesmanlike grasp of the principles involved. They both contended for a note issue less rigid and more responsive to the needs of commerce than was provided by the Currency Bill. Both emphasised the danger of Government control, and emphasised the menace by reference to the abuse of Government debentures. Both enlarged upon the discouragement to private banks which would result from the State's monopoly of the right of issue. Another Councillor, Mr. Merri-man, in his speech stated that that very morning he had seen a Government debenture being hawked about. He contrasted this irredeemability of Government paper with the redemption of the New Zealand Banking Company of its notes in the time of its liquidation. This drew from Governor Grey the retort that the Company had been able to redeem its notes only by the assistance of Government debentures. The Governor's answer to the criticism of his Bill consisted in stressing the perils which the recent history of Great Britain had shown to reside in grants to private companies of the right of note issue. It was clear from the debate that the Ordinance recommended itself to its promoters as a legislative experiment in a new country on the lines of a certain economic theory rather than as a measure urgently called for by the needs of the Colony. The latter, however, were real, and must not be overlooked.

Although the Ordinance was passed October 16th, 1847, the Bank did not open its doors until June 3rd, 1850. The Ordinance required the publication of weekly returns in the *Government Gazette* disclosing the amount of notes in circulation, the coin held in cash, and the coin invested. Until May, 1856, the returns of the two offices were separately published. From that time until the winding up of the Bank shortly afterwards only the amalgamated returns were furnished. These returns afford material for a few conclusions significant of the monetary conditions of the time.



During the greater part of its existence the Bank issued a greater value of notes of a denomination of £5 and upwards than of notes of a smaller denomination. This clearly indicated the service of the Bank in providing an easy means of transmitting large payments from place to place. In the last return, May 17th, 1856, the circulation of the two branches was £54,085, of which £26,805 were in notes of £5 and upwards and £27,280 in notes of under £5. With the more extended use of the currency furnished by the Bank the number of notes of smaller denomination naturally increased.

The Bank seems to have had some difficulty for a while in inspiring confidence. This was especially noticeable in Auckland, where the amount in the chest alternated somewhat from month to month, but showed substantially no increase during 1850 and 1851. Indeed, the amount of notes in circulation dropped in November, 1851, to £887, but they increased again in December to £3,967. The advance in Wellington was steady, but slow at first. In December, 1850, notes were in circulation to the amount of £4,101. A year later the amount was £7,431, to be doubled during the succeeding year. In February, 1856, the amount stood at £40,007. Auckland's last annual return, December, 1855, showed £12,944 in circulation.

The cost of management was not heavy. Auckland's return of December, 1850, was as follows :—

	£	s.	d.
Manager's salary, June to December ...	115	7	8
Safe, stationery, &c. ... ..	32	7	11
Half cost of manufacture of notes ... ..	53	18	6
Total ... ..	£201	14	1

To defray these expenses there was no income. In 1850 the Auckland branch had to borrow £300 from the Commissariat Department to meet current expenses. Wellington's expenditure for that year, 1850, was approximately the same. But the office at the latter place manifested a capacity to extend its business from the start. It was not long before a considerable sum was invested in the public funds of Great Britain as required by the Ordinance. In February, 1851, the Wellington branch was enabled to hand to the Lords Commissioners of Her Majesty's Treasury £2,000 for this purpose. By 1856 the sum of £25,000 was invested. Auckland's investments were on a much smaller scale. At the end of the year 1855 it had £6,000 invested, and during this year its income for the first time exceeded its expenditure. The investments of both branches of the Bank were made

in British 3 per cent. Consols, and just shortly before the closing of the Bank the total sum of £31,000 had been invested in the purchase of £33,066 1*s.* 11*d.* of 3 per cent. Consols. The Bank was now self-supporting, and on the point of yielding revenue to the State after providing for past deficiencies. By this time, however, it was in general disfavour; indeed, no sooner was representative government established in New Zealand in 1852 than an agitation for its abolition arose. Early in the first session of Parliament the matter was brought up for discussion. On May 2nd, 1856, Mr. James Macandrew urged in the House of Representatives that the right of note issue be granted to private banks. The burden of the complaint against the Bank of Issue was that the surplus funds were invested in British securities at 3 per cent. while the Colonial Government was borrowing at 8 per cent. and the Provincial Governments at 10 per cent. Indeed, later on in the same session of Parliament an Act was passed authorising the Government to borrow £100,000 on debentures at any rate of interest up to 10 per cent. As Mr. Cargill pointed out in tracing the history of the Bank, Governor Grey originally designed to place the surplus funds in the hands of the Colonial Government for investment. This the British Secretary of State would not approve. It was not to be expected that colonists would look with equanimity on the withdrawal of many thousands of pounds from their own country to be invested in London at a low rate of interest while they were borrowing money from London at a rate 100 per cent. to 200 per cent. higher.

Ultimately a Parliamentary Committee inquired into the working of the Bank of Issue. The following are the main portions of its report furnished June 28th, 1854:—After reciting the reference “as to whether it be desirable to maintain the present Bank of Issue or to make any and what alterations therein or to substitute any and what Government Bank in lieu thereof,” the Report states that the “Bank was an experiment, and the principal objects he (Lord Grey) proposed to accomplish by it were the economising of capital and the uniting the convenience of a paper currency with the steadiness and uniformity of value which belongs to a metallic currency.” These objects, it states, were not attained. “The only kind of capital it was designed to economise was the metallic coinage, and by monopolising the right of note issue it prevented the use of other forms of wealth as a basis for a paper currency. Hence the unsoundness of the measure in its limitation of the circulating medium or currency instead of allowing that expansion of the latter which the extent

of commercial operations from time to time requires, and which a paper currency, based upon property in the Colony, not upon coinage, gold, or silver, would always be calculated to afford under judicious management."

The last monthly returns for June, 1854, are embodied in the Report, and were :—

*Notes issued :—*

						£
Wellington	...	...	...	...	...	32,842
Auckland	...	...	...	...	...	7,481
						<hr/>
Total						£40,323
						<hr/>

						£
<i>Coin Invested :—</i>						
Wellington	...	...	...	...	...	15,000
Auckland	...	...	...	...	...	1,000
<i>Coin in Chest :—</i>						
Wellington	...	...	...	...	...	12,842
Auckland	...	...	...	...	...	6,481
						<hr/>
Total						£35,323
						<hr/>

The British funds in which the money had been invested had fallen 15 per cent., causing a diminution of capital of about £24,000. This interfered with that steadiness of value which coin generally possesses.

On July 29th, 1856, an Act was passed providing for the winding-up of the Colonial Bank of Issue and for the immediate redemption of the Bank's notes.

The study of the history of the Colonial Bank of Issue leads to the following conclusions :—

1. At the time of its establishment there was urgent need of a paper money of general acceptability. There was only one private bank capable of supplying that need, namely, the Union Bank. That bank, however, in pursuance of its policy of contraction, adopted after the Australian crisis in the early 'forties, not only refused to meet the expanding requirements of the Colony, but practically withdrew banking facilities unconnected with inter-colonial exchange. As a consequence, State enterprise seemed at the time to hold out the only hope of removing the serious impediment of commerce occasioned by a stringent and slowly circulating currency. Practically the experiment was not so much an encroachment on private enterprise as an assumption of a function which private enterprise refused efficiently to discharge.

2. The failure of the State Bank to become established as a permanent institution was inevitable on two

grounds. In the first place it was scarcely conceivable that the people of New Zealand, pressed for money for the purposes of development, would allow the State Bank to invest the funds in England at 3 per cent. while the Colony was borrowing at 10 per cent. Had the British Government sanctioned the investment of the Bank's funds in New Zealand debentures as was urged by Governor Grey, the most popular objection to the Bank would have been removed. New Zealand investments, however, would not have provided that safe and liquid security which was essential to ensure the ready convertibility of the notes. In the second place the arrogation to the State of the monopoly of the note issue was a discouragement to the establishment of private banks in the Colony. The settlers needed a paper currency, but they wanted equally the facilities which banks of deposit and discount afford. The functions of such banks the State did not exercise, and private banks were loath to do so without the privilege of note issue. Subsequent history shows that banks in New Zealand have been looked upon rather as lending institutions than as institutions for the supply of a sound currency. At least the general public have been in the habit of stressing the former function. Whilst the establishment of the Colonial Bank of Issue was primarily the outcome of an economic theory which the Governor and the Colonial Secretary of State desired to experiment with, it was also more or less a natural expression of the circumstances of the time, and the Bank passed away when the circumstances changed and sufficient inducement was offered to private enterprise.

The closing of the Colonial Bank of Issue closes a chapter in the history of Colonial banking. It was the last experiment of the State for nearly fifty years in the sphere of banking. Indeed, at no time since has there been any attempt on the part of Governments to provide a medium of exchange. The student comes across no more debentures circulating as money, no more convertible or inconvertible State notes, and no more drafts of Government officials on the Public Treasury being tendered in payment of wages and debts.

Indeed, there was to be no further incursion by the Government into the sphere of banking for nearly fifty years. During this long period the State withdraws from the field of participation in banking business, and is satisfied with the exercise of such control of banking operations as seems needful to secure the solvency of banking institutions. It recognises banking as the legitimate province of private enterprise, and is only concerned

to ensure adequate safeguards for the protection of the public. The activities of reformers who proclaim the gospel of a State Bank are, of course, never suspended, but the investigator would search in vain for any authoritative pronouncement approving State banking like that contained in the despatch of Lord Grey to Governor Grey. At any rate, until 1894, when Parliament came to the salvation of the Bank of New Zealand, there is only that kind of State interference which the most conservative of economists agree is essential in the public interest.

H. D. BEDFORD.

#### WOMEN TRADERS IN MEDIEVAL LONDON.<sup>1</sup>

At the present time when women, in response to their country's call, are entering trades usually carried on by men, it is encouraging to look back into the past and see how large a part they played in the business life of England's greatest city, in an age which, like our own, though for quite a different reason, was a period of crisis. The fourteenth and fifteenth centuries witnessed an extraordinary expansion of English industry and commerce, which made unprecedented demands upon the nation's resources, and necessitated an increase in the number of workers; and in London, the great centre of activity, it seems to have been taken for granted that women should do their share. No trade was closed to them by law, and evidence exists in the civic records of their employment in occupations of many kinds. Legally they were in a better position than men, after 1363, in one respect at least, for an Act passed in that year ordered men to keep to one trade, while women were left free to follow as many as they chose.

Some of their occupations were very trivial and insignificant; one was a flaoner,<sup>1</sup> a maker of flauns, a light cake, not unlike a pancake; another was a herb-wife,<sup>2</sup> and others sellers of old clothes.<sup>3</sup> On the other hand, they were also engaged in some of the most important and remunerative trades; they were mercers,<sup>4</sup> drapers,<sup>5</sup> grocers,<sup>6</sup> and merchants,<sup>7</sup> and sometimes had the honour of serving the King. Henry III. paid Mariot, wife of Robert de Ferars, over £75 for palfreys, horses, harness, and other neces-

<sup>1</sup> Sharpe, R. R., *Calendar of Wills* (hereafter quoted as *Wills*), I, 105.

<sup>2</sup> Sharpe, R. R., *Calendar of Letter-Books of the City of London* (quoted by letter only), K, 293.

<sup>3</sup> E, 157, 158, 161.

<sup>4</sup> *Wills*, I, 462, 489, 628; Selby, W. D., *Charters . . . of the Mercers' Company*, 72-73.

<sup>5</sup> *Journals*, XI., f. 209 b and seq.

<sup>6</sup> Heath, J. B., *Grocers*, 424.

<sup>7</sup> Riley, H. T., *Memorials of London*, 75; *Early Chanc. Proceed.*, 137/33, 127/66; Sharpe, R. R., *MS. Cal. Plea and Mem. Rolls*, A. 12, Roll 3, A. 5, Roll 23d, A. 10, Roll 14.

saries,<sup>1</sup> and he bought lime, hurdles, and poles for his palace at Westminster from women.<sup>2</sup> In 1301 Dyonisia, la Rowere, provided wheels for the King's use in Scotland,<sup>3</sup> and silkwomen worked for Edward IV. and Henry VII.<sup>4</sup> Many women, however, were engaged in more homely work, and were thredwomen,<sup>5</sup> embroiderers,<sup>6</sup> sempstresses or needlewomen,<sup>7</sup> laundresses,<sup>8</sup> and midwives.<sup>9</sup> A large number were domestic servants; their remuneration was apparently not on a very generous scale, and sometimes of a curious description. John Nyman and Edith, his wife, claimed only £4 16s. wages for Edith for nine years, during which she was continually with Walter Rawlys,<sup>10</sup> and Robert de Eyc recovered a bed for the service of his wife in the capacity of nurse for four years.<sup>11</sup> As a set-off to this we find that masters and mistresses frequently left legacies to their servants, which were sometimes of considerable value; thus one had land and houses,<sup>12</sup> another a hall and two shops,<sup>13</sup> another an annuity of ninepence a week,<sup>14</sup> and another twenty marks and the next vacancy in the testator's almshouse.<sup>15</sup>

In the course of the fifteenth century, Miss Clay tells us in her interesting book on Medieval Hospitals, the work of women amongst the sick developed. In some institutions there were distinct grades of nursing women. The poet Gower mentions in his will the staffs of four London hospitals; he leaves money "to every sister professed," and to each of them who is a nurse of the sick, at St. Thomas', Southwark.<sup>16</sup> In some hospitals the offices were honorary, but the officials were supplied with food and clothing.<sup>17</sup>

<sup>1</sup> Devon, *Issues of the Exchequer*, 33.

<sup>2</sup> *Ibid.*, 48, 49, 52.

<sup>3</sup> *C.*, 97.

<sup>4</sup> *Wardrobe Accounts of Edward IV.*, ed. Sir N. H. Nicolas, 125; Campbell, W., *Materials for a History of the Reign of Henry VII.*, II, 12, 13, 15.

<sup>5</sup> B, 182; H, 186; *Wills*, I, 627; *Plea and Mem. Rolls*, A, 10, Roll 14.

<sup>6</sup> *Ibid.*, Roll 15, and A, 14, Roll 5d.

<sup>7</sup> *Churchwardens' Accounts*, St. Andrew Hubbard, *British Mag.*, XXXI, 403; *ibid.*, St. Michael's, Cornhill, ed. W. H. Overall, 13; Campbell, *op. cit.*, II, 493; Nicholas, Sir N. H., *op. cit.*, 118.

<sup>8</sup> *Brit. Mag.*, XXXI, 536, XXXII, 37, 145, 146, 156; Overall, *op. cit.*, 40, 60; E, 270; *Issue Roll of Thomas de Brantingham*, 40.

<sup>9</sup> Hale, W. H., *Precedents and Proceedings of the Eccles. Courts, London*, 34; *Wills*, II, 218.

<sup>10</sup> *Early Chanc. Proceed.*, 151/116.

<sup>11</sup> *Pleas and Mem.*, A, 10, Roll 9d.

<sup>12</sup> *Wills*, I, 292.

<sup>13</sup> *Ibid.*, 363.

<sup>14</sup> *Ibid.*, 345.

<sup>15</sup> *Ibid.*, II, 548.

<sup>16</sup> Clay, M. R., *Medieval Hospitals of England*, 154.

<sup>17</sup> *Ibid.*, 152.

Women were also to be found in some employments which we might perhaps have expected them to have left to men; we read of women barbers,<sup>1</sup> apothecaries,<sup>2</sup> armourers,<sup>3</sup> shipwrights,<sup>4</sup> tailors,<sup>5</sup> spurriers,<sup>6</sup> and even female water-bearers.<sup>7</sup> They were amongst the barber-surgeons,<sup>8</sup> who practised surgery side by side with the surgeons proper, and who afterwards joined with them and formed the Royal College of Surgeons. Two girls were apprenticed to a public notary,<sup>9</sup> and it would have been very extraordinary if they had followed this calling, but one of them died young, and the other married, so one could not, and the other may not have attained to it.

One woman was apparently an artist,<sup>10</sup> as in her will she left her apprentice the third best part of copies and instruments appertaining to the making of pictures, and one of her best chests to hold them.

The trade which attracted the largest number of women was "silkwerk," and it was almost entirely carried on by them. They made fringe, tassels, ribbon, laces, girdles, and other small articles of silk. They were very jealous of foreign competition, and seem to have been well able to look after their own interests. In 1368 certain "silkwymen" delivered a bill to the Mayor and Aldermen complaining that Nicholas Sarduche, a Lombard, had been buying all the silk he could find, and raising the price of it; not content with this, they petitioned the Crown, with the result that a writ was issued ordering the civic authorities to do them justice, consequently an inquiry was made, and Sarduche was found guilty.<sup>11</sup> In 1455 they again petitioned the Crown, declaring that more than a thousand women were employed in the craft, and begging that the importation from abroad of the goods they made might be prohibited, and an Act was passed in accordance with their wishes.<sup>12</sup>

Beer and ale were very favourite beverages in the Middle Ages, and from quite early times women brewed and sold them. It used to be thought that this business was "almost wholly in the

<sup>1</sup> *C.*, 125; *E.*, 205.

<sup>2</sup> *Wills*, I, 569; II, 40, 248.

<sup>3</sup> *Cal. Pat. Rolls*, 1453, m. 12.

<sup>4</sup> Sharpe, R. R., *Shipwrights*, 6.

<sup>5</sup> *H.*, 341; Herbert, *Livery Companies*, II, 413.

<sup>6</sup> Sharpe, R. R., *Cal. of Letters*, 100.

<sup>7</sup> *London and Middlesex Archaeol. Soc. Trans.*, IV, 56-8.

<sup>8</sup> Young, S., *Annals of the Barber-Surgeons of London*, 38, 260; Power, D'Arcy, *Memorials of the Craft of Surgery*, 18, 19; II, 352.

<sup>9</sup> *I.*, 238, 141.

<sup>10</sup> *Wills*, I, 576.

<sup>11</sup> *Pleas and Mem.*, A. 14, Roll 3, 3d, 4.

<sup>12</sup> *Rot. Parl.*, V, 325; *Statute 33, Henry VI.*, c. 5.

hands of females,"<sup>1</sup> but Dr. Sharpe has noted that in a list of three hundred brewers, given in *Letter-Book I*, in the year 1420, less than twenty were females,<sup>2</sup> and in 1356, when thirty brewers were appointed to serve the King with ale, only one was a woman.<sup>3</sup> So it is clear that the brewers outnumbered the brewsters in London; nevertheless, the frequent allusions to them in the City records<sup>4</sup> show that there were large numbers of them. Many women also kept ale-houses and inns.<sup>5</sup>

Bakeresses were numerous in Medieval London; many were merely regratresses who bought bread from other bakers, and sold it again, carrying it round from house to house. From the custom of giving them thirteen loaves for twelve the expression baker's dozen arose.<sup>6</sup> Some bakeresses, however, were in a better position and had carts, and some had bake-houses of their own.<sup>7</sup>

Poultry-selling was another trade practised by women<sup>8</sup> from early days. Poulterers who lived outside the City often brought their goods into the market on horseback, and if they did not touch the ground their owners were not obliged to pay stallage.<sup>9</sup>

A good many women were engaged in selling fish, for which there was a great demand, particularly on fast-days. As in the case of bakeresses, some of them were poor women who went about crying their wares in the streets; these birlesters, as they were called, were not allowed to stand in any set place,<sup>10</sup> but others sold in the market or in shops.<sup>11</sup>

In nearly all trades fewer women than men seem to have been engaged; in 1283 ten candlemakers had selds in Chepe and only one was a woman,<sup>12</sup> and in an enumeration of the trade marks of coopers (12 Edward IV.—18 Henry VII.) twenty-nine belonged to men and two to women.<sup>13</sup> Nevertheless, there must have been a considerable number of women employed in trade, taking them altogether; the Statutes of the Realm regulating the conditions of labour mention women as well as men,<sup>14</sup> civic ordinances deal

<sup>1</sup> *Liber Albus*, Introd., lx.

<sup>2</sup> *I*, Introd., xlii.

<sup>3</sup> *G*, 76.

<sup>4</sup> Riley, *op. cit.*, 264; *Pleas and Mem.*, A. 10, Roll 10, A. 16, Rolls 4, 5, 5d, 6, 6d, A. 17, Roll 1; *Liber Albus*, 355; *Cal. Pat. Rolls*, 1482, m. 25; *Early Chanc. Proceed.*, 66/257; *Letter-Book*, C, 47, D, 201, E, 8, 71, 77, F, 114, 178, H, 215, 293.

<sup>5</sup> *Accounts of St. Margaret, Southwark*, *Brit. Mag.*, XXXII, 488, 489, 496; Gregory, W., *Hist. Collection of a London Citizen*, 194.

<sup>6</sup> *Lib. Alb.*, 266; *H*, 107 and note.

<sup>7</sup> *D*, 242, *H*, 63; Grafton, R., *Chronicle*, II, 231; *Pleas and Mem.*, A. 20, Roll 3d; *Early Chanc. Proceed.*, 64/105.

<sup>8</sup> *A*, 13, *F*, 208; *Wills*, I, 564; *Pleas and Mem.*, A. 10, Roll 8.

<sup>9</sup> *Lib. Alb.*, Bk. III, Pt. IV, 465.

<sup>10</sup> *Cal. Close Rolls*, 1364, m. 12d.

<sup>11</sup> *E*, 180; *Wills*, I, 150-1, 317; II, 93.

<sup>12</sup> Riley, *op. cit.*, 22.

<sup>13</sup> *L*, 1.

<sup>14</sup> 12 Ric. II., c. 5; 7 Henry IV., c. 17.



with girl apprentices and women traders,<sup>1</sup> and corroborative evidence can be adduced from other sources. London citizens sometimes left directions in their wills that their daughters should be taught trades, or money for this purpose,<sup>2</sup> and as the orphans of freemen were under the care of the Mayor, records of their apprenticeship appear in the *Letter-Books*.<sup>3</sup>

It must not be thought that the trade carried on by women was necessarily on a small scale; some of them did a large business. Armour and other goods to the value of £200 were stolen from the house of Alice, wife of Thomas de Cantebrugge, so she must have had a good stock.<sup>4</sup> A piece of embroidered cloth, sold by Aleyse Darcy and Thomasin Guydichon to the Earl of Lincoln was worth three hundred marks, and another piece which Aleyse was preparing was estimated at the same price.<sup>5</sup> George Bulstrode, draper, of London, who had acted for Elizabeth Kirkeby, in Seville, for a year, made a claim of £4,000 for diverse merchandise and wares sent to her from there, and even allowing for some exaggeration on his part the sum is large.<sup>6</sup>

Some women traded as "sole merchants,"<sup>7</sup> and this they could do even if they were married, provided that their husbands did not intermeddle in any way with their trade. In such a case a woman could hire a shop, and she alone was answerable for the rent, and could be charged as a "femme sole" for it and anything concerning her craft. Should the plaintiff implead husband and wife together, the wife was at liberty to plead as a "femme sole," and to have all the advantages in pleading as such; and she could "make her law" by swearing her innocence with the assistance of compurgators or oath-helpers, who might be men or women according to her will. If she were condemned to make payment, she was committed to prison till she had made a composition with her creditor; the husband in the meanwhile being left, both in person and property, wholly untouched.<sup>8</sup> This custom at first only applied to the wives of freemen, but early in the sixteenth century it was extended to the wives of non-freemen.<sup>9</sup> In *Letter-Books*, A and B, a number of recognizances to pay sums of money are entered, and more than fifty of them are made by women, and some seem to be for debts incurred in trade, but it is

<sup>1</sup> H, 391; *Journals*, XI, 259b; Riley, *op. cit.*, 590.

<sup>2</sup> Wills, I, 445, 473, 498; II, 158; H, 3.

<sup>3</sup> E, 200; F, 142; G, 105, 165; H, 5 and 424, 169, 186, 341, 358, 405; K, 208.

<sup>4</sup> *Lib. Alb.*, Bk. III, Pt. III, 437.

<sup>5</sup> Riley, *op. cit.*, 52.

<sup>6</sup> *Early Chanc. Proceed.*, 116/34.

<sup>7</sup> *Journals*, VI, 182b, 184.

<sup>8</sup> *Lib. Alb.*, 204-5.

<sup>9</sup> *Journals*, XI, 367.

impossible to say exactly how many, as the nature of the debt is not always stated.

If a married woman did not trade as a sole merchant she could plead coverture, and then her husband was responsible for her debts and misdeeds. Thus in 1377 a man named John de Pekham was imprisoned for a debt which it was alleged his wife had contracted before her marriage.<sup>1</sup> In 1327 eight bakers and two bakeresses were found guilty of stealing dough; the men were put in the pillory, but the women said they had husbands (which the neighbours attested), and that the deed was not theirs, so they were sent back to Newgate until it should be otherwise ordained.<sup>2</sup> On another occasion a bakeress was found with bread deficient in weight, and it was adjudged forfeited because her husband did not come and claim it.<sup>3</sup>

If a married woman took an apprentice, whether she were a sole merchant or not, the custom of London required that the apprentice should be bound to her husband as well as to her, even if he were practising a different craft, and knew nothing whatever about hers.<sup>4</sup> The *Liber Albus* which sets forth this custom speaks only of female apprentices, but unquestionably women sometimes had male apprentices.<sup>5</sup> It is to be feared that they did not always treat them very well; in an entry on the *Plea and Memoranae Rolls* we find that Thomas Bunny complained to the Mayor and Aldermen that Johanna Hunte, to whom he had been turned over for the rest of his term by Thomas Rose, "sheder," had made him carry water in "tynes," whereby he had been injured, and she had dismissed him from her service, but when he recovered she wanted him back again. His tale was apparently true, as the Court discharged him from serving her further.<sup>6</sup> An undertaking given by the sureties for Agnes, wife of John Cotiller, that she would not beat her girl apprentice with a stick or a knife is unpleasantly suggestive.<sup>7</sup> No doubt apprentices were sometimes very tiresome, and difficult to manage; in 1376 John Shadewall, apprentice to Margaret Shadewell, was committed to prison for bad behaviour towards her,<sup>8</sup> and in 1445 an apprentice was flogged in the hall of the Goldsmiths' Guild for trying to strangle his mistress.<sup>9</sup> It was fortunate that both

<sup>1</sup> 412-414; Riley, *op. cit.*

<sup>2</sup> *Ibid.*, 162-5.

<sup>3</sup> *Ibid.*, 121.

<sup>4</sup> Bateson, M., *Borough Customs*, I, 229-30; K, 291.

<sup>5</sup> D, 102, 109, 114, 149, 175, 191; Sharpe, *Cal. of Letters*, 125; *Early Chanc. Procecd.*, 107/27.

<sup>6</sup> *Plea and Mem. Rolls*, A, 11, 2d.

<sup>7</sup> *Ibid.*, A, 9, 4.

<sup>8</sup> *Ibid.*, A, 21, 6d.

<sup>9</sup> Prideaux, Sir W. S., *Goldsmiths' Company*, 22.

parties could appeal to the Gild officials, or to the Mayor and Aldermen, and obtain redress of their grievances. The fraternity of St. Mary in the church of All Hallows, London Wall, gave legal or charitable assistance to any member whose son or daughter had been unjustly treated by the person to whom he or she was apprenticed.<sup>1</sup> There was one abuse which occasionally escaped the vigilance of the authorities, or was permitted by them: the employment of children of tender age. One little orphan girl was apprenticed when she was eleven,<sup>2</sup> and another when she was only seven or eight.<sup>3</sup>

Frequently husbands and wives worked together, the wife acting for her husband in his absence, and helping him when he was at home. They sometimes had apprentices who served them both,<sup>4</sup> and were jointly responsible for debts.<sup>5</sup> The business capacity of women was fully recognised, for it was the rule that if a debt were made by the hand of the wife, the husband should have her aid if a suit were brought against him, and should have respite till the next court to take counsel with her.<sup>6</sup> A few Gilds—the Girdlers,<sup>7</sup> Braelers,<sup>8</sup> and Pynners,<sup>9</sup> passed restrictive ordinances against women, and prohibited their employment, but they all made exceptions in favour of wives and daughters, and the Leathersellers allowed them to work for their husbands and fathers even if they had not been bound apprentice to the trade.<sup>10</sup> Consequently, when a man died his wife was often quite capable of continuing his business, and as by the custom of London the widow of a freeman became free on his death,<sup>11</sup> this frequently happened. In the wills enrolled in the Court of Husting there are numerous bequests to their widows of the services of their

<sup>1</sup> Unwin, G., *Gilds of London*, 121

<sup>2</sup> G., 105.

<sup>3</sup> Petronilla, daughter of John Oxwyk, was apprenticed in 1393-4, and in 1401 was only fifteen. *H.*, 405, 406.

<sup>4</sup> Sharpe, *Cal. of Letters*, 11-12, 101; *Plea and Mem. Rolls*, A, 21, 8; *Early Chanc. Proceed.*, 124/34; D, 155.

<sup>5</sup> Some thirty joint obligations given by husbands and wives are entered in *Letter-Books A and B*, but very few of them can be proved to be trade transactions, though it is likely that some were, as in the case of Richard de St. Botulf, taverner, and Mabel, his wife, who acknowledge a debt of £4 13s. 4d for wine. *A*, 85.

<sup>6</sup> *Lib. Alb.*, 206.

<sup>7</sup> Riley, *op. cit.*, 217.

<sup>8</sup> *Ibid.*, 278.

<sup>9</sup> *G.*, 64.

<sup>10</sup> Riley, *op. cit.*, 547. The Wyremongers forbade anyone to set any person to work unless he had agreed with the wardens of the craft "except only the wiffe son doughter or covaunant servaunte that hath been apprentice in the same craft." *L*, 186.

<sup>11</sup> "Recorded as an ancient custom: that every Woman married to a Freeman of the City, is after the death of her Husband a Freewoman as long as she continues his Widow and resides within the City." *Journals*, VII, f. 89.

apprentices and the implements of their trades by craftsmen—apothecaries,<sup>1</sup> a baker,<sup>2</sup> a burler,<sup>3</sup> a carpenter,<sup>4</sup> a cook,<sup>5</sup> a currier,<sup>6</sup> drapers,<sup>7</sup> a dyer,<sup>8</sup> fishmongers,<sup>9</sup> a fuster,<sup>10</sup> a girdler,<sup>11</sup> goldsmiths,<sup>12</sup> joiners,<sup>13</sup> mercers,<sup>14</sup> a pepperer,<sup>15</sup> a skinner,<sup>16</sup> a tanner,<sup>17</sup> a tyler,<sup>18</sup> weavers,<sup>19</sup> and others whose trades are not specified.<sup>20</sup> A few testators added the proviso that their apprentices should only serve their widows as long as they refrained from remarriage,<sup>21</sup> and three tanners left their places and tables in the Tannerseld to their wives on the condition that they should remain single or marry tanners.<sup>22</sup> Such stipulations seem rather odd to us, but they were not unnatural in the Middle Ages, when second marriages were extremely common, and when each trade was in the hands of a gild whose members would not tolerate the intrusion of a stranger. The ordinances of the Grocers<sup>23</sup> and the Goldsmiths<sup>24</sup> reflect the same spirit. There are one or two instances of daughters benefiting in a similar fashion under their fathers' wills; thus one received the lease of a brewhouse for eight years, and at the end of the term five quarters of malt to set herself up in business,<sup>25</sup> and another had implements and the services of the dead man's apprentices.<sup>26</sup> Bequests of this kind probably account in a large measure for the presence of women in somewhat masculine employments, and for their male apprentices; the earliest of them occurs in a will enrolled in 1259, the latest in one dated 1413, but the majority of them were made in the last three-quarters of the fourteenth century.

<sup>1</sup> *Will.*, II, 299, and other instances already quoted.

<sup>2</sup> Roger Pistor (or the Baker), implements belonging to his business, *Ibid.*, I, 4.

<sup>3</sup> *Ibid.*, I, 693.

<sup>4</sup> *Ibid.*, I, 467.

<sup>5</sup> *Ibid.*, II, 134.

<sup>6</sup> *Ibid.*, I, 468.

<sup>7</sup> *Ibid.*, I, 442; II, 39.

<sup>8</sup> *Ibid.*, I, 339.

<sup>9</sup> *Ibid.*, I, 317, 402, 583, his stock of fish and shops in "Oldfishstret," II, 93; stock fishmongers, II, 79, (utensils I, 588).

<sup>10</sup> Maker of saddle-trees, *Ibid.*, I, 484.

<sup>11</sup> To wife and son, *Ibid.*, I, 431.

<sup>12</sup> *Ibid.*, I, 464, II, 88.

<sup>13</sup> Makers of the wood-work of saddles, *Ibid.*, I, 525, 583.

<sup>14</sup> *Ibid.*, I, 462, 489, 628; II, 94.

<sup>15</sup> *Ibid.*, I, 459.

<sup>16</sup> *Ibid.*, I, 475.

<sup>17</sup> *Ibid.*, I, 163.

<sup>18</sup> *Ibid.*, I, 683.

<sup>19</sup> *Ibid.*, 475, 571.

<sup>20</sup> Utensils and shop, *Ibid.*, 179; implements, I, 186-7; I, 341, 358, 491, 503.

<sup>21</sup> *Ibid.*, II, 315.

<sup>22</sup> *Ibid.*, I, 421, 422, 446; II, 135.

<sup>23</sup> "And if the said widow marries anyone that is not of the Fraternity, she shall not . . . have any assistance given her, as long as she remains so married." Heath, J. B., *Some Account of the Worshipful Company of Grocers*, 53.

<sup>24</sup> Prideaux, *op. cit.*, 15.

<sup>25</sup> *Will.*, I, 145-6.

<sup>26</sup> *Ibid.*, I, 439.

Women, Dr. Sharpe tells us, were admissible into every trade or craft gild,<sup>1</sup> but their position was not equally good in all. Most gilds showed as much solicitude for the spiritual welfare of sisters as of brothers<sup>2</sup>—they provided masses for their souls, and tapers for their burial, and bore the cost of their funerals if they died in great poverty. Some gilds also gave help to women members who fell into want through no fault of their own; in 1414 the Merchant Taylors built almshouses for “their poor brethren and sisters,” and in 1482 rents were devised for their relief and sustentation,<sup>3</sup> and the Whittawyers granted a pension to widows of members.<sup>4</sup> Women were often present at gild feasts, sometimes in their own right, sometimes as their husbands’ companions, and in the latter case the fees for them were paid by the husbands. Widows of Grocers could attend the dinners, but were called upon to pay double if they were able.<sup>5</sup> There was a ladies’ chamber attached to the Drapers’ Hall, where the sisters sometimes had separate dinners, but they were also sometimes present at the feasts in the Common Hall.<sup>6</sup> The rules regarding their admission to the livery of the companies varied: there were thirty-nine women on the livery of the Brewers, in the fifth year of the reign of Henry V.,<sup>7</sup> but in 1383, out of a hundred and twenty-eight persons on the livery of the Grocers, only one was a woman,<sup>8</sup> and according to the Report of the Livery Companies’ Commission of 1884 no woman had ever been admitted to the livery of the Armourers and Brasiers.<sup>9</sup> On the other hand, they sometimes had the advantage of paying less quarterage than men.<sup>10</sup> They held a very good position in the Carpenters’ Company, they not only received spiritual and pecuniary benefits, and had “clothyng,” but also, with the brethren, met four times a year to ordain things needful and profitable for the brotherhood.<sup>11</sup> In the Shearmen’s Ordinances, dated 1452, the brothers and sisters were directed to go to dinner together on the morrow of the

<sup>1</sup> *Letter-Book L*, Intro., xxx.

<sup>2</sup> Armourers, in *Cal. Pat. Rolls*, 1453, m. 12; bakers, *L*, fol. 122; Williams, W. M., *Founders’ Co.*, 14; brewers, *Chanc. Misc.*, Gild Certificate, 471, quoting charter of Edward III; Whittawyers, *Ibid.*, 211; Saddlers, *L*, fol., 280; Carpenters, *L*, fol. 229b; and many others could be cited.

<sup>3</sup> Clode, C. M., *Memorials of the . . . Merchant Taylors*, 47.

<sup>4</sup> Riley, *op. cit.*, 232.

<sup>5</sup> *L*, xxxi, note.

<sup>6</sup> Herbert, W., *Twelve Great Livery Companies*, 466.

<sup>7</sup> *Ibid.*, I, 62.

<sup>8</sup> *Facsimile of the first volume of MS. of . . . Grocers*, ed. Kingdon, J. A., 58.

<sup>9</sup> *Rep. of Livery Companies Comm.*, 1884, Pt. III, 17.

<sup>10</sup> Blacksmiths, *Lond. and Midd. Soc. Trans.* IV, 33; Clode, *op. cit.*, 617.

<sup>11</sup> *Certificates of Gilds*, *Chanc. Misc.*, 465.

Sunday after the Assumption every year, and there to "make their eleccion of three wardeyns," and within fourteen days they were to be called together again and to make election of twelve persons "to assiste, keepe, and counsell" the wardens.<sup>1</sup> The Ordinances of the Blacksmiths were subscribed by sixty-five brethren and the wives of two of them.<sup>2</sup> Occasionally special honour was paid to the wives of the Masters of the Company; in some gilds it was customary for the old wardens who were going out of office to set garlands on the heads of their successors; on the day of election the Merchant Taylors crowned both the incoming Master and his wife with roses.<sup>3</sup> The ceremony may, perhaps, be thought a trifling act of courtesy, hardly worthy of mention, but it is interesting because it shows a respect for family ties, and a feeling for the unity of husband and wife. In 1372 the ordinances of the Dyers of Leather were brought before the Court of Aldermen for ratification, and three men and their respective wives were sworn to oversee the premises and defaults, and to present them to the Mayor,<sup>4</sup> but this choice of women overseers appears to have been an isolated incident.

If we sum up the evidence gathered from the various sources which have passed under our review, we are led to the conclusion that the women traders of Medieval London were persons of strong character and undeniable business ability, and that they played a not inconsiderable and very useful part in the industrial life of the city.<sup>5</sup>

A. ABRAM

---

#### CURRENT TOPICS.

PROFESSOR GIDE writes:—"The French Government have lately introduced increased taxation amounting to nearly 1,000 million francs (£40,000,000). Coming after nearly two years of war, this decision will no doubt be thought in England very tardy and very insufficient. Nevertheless, the Government have not resolved upon it without some hesitation. They would have preferred to wait until the end of the war and the liberation of French territory. The revenue from already existing taxes has considerably

<sup>1</sup> *Lond. and Midd. Arch. Soc. Trans.*, IV, 38, 39.

<sup>2</sup> *Ibid.*, IV, 7-8.

<sup>3</sup> Clode, *op. cit.*, 518; they also seem to have given a livery of cloth to the Master's wife; *Ibid.*, 519.

<sup>4</sup> Riley, *op. cit.*, 365.

<sup>5</sup> I should like to take this opportunity of acknowledging my indebtedness to Dr. R. R. Sharpe's published and unpublished work, and of thanking the Corporation for kindly allowing me access to the civic records preserved at the Guildhall.

diminished as a result of the occupation of the richest districts of France, and of the mobilisation of numbers of heads of families ; and it was open to question whether this was an opportune moment to impose new taxes. The policy was eventually determined rather for its moral than for its financial consequences. The new taxes are to be derived half from direct taxation (that is to say, taxes on income), and half from indirect taxation (alcohol, wines, tobacco). As regards direct taxation, the *impôt foncier*, which falls on land and houses, *patentes*, which fall on commercial enterprises, and the *contribution mobilière*, which falls on practically all other income, are all doubled. The tax on transferable securities (on the income of stocks and bonds) is raised from 4 to 5 per cent. in the case of French securities, and from 5 to 6 per cent. in the case of Foreign securities. Lastly, there is the new income-tax, which, in consequence of having been set up by a law of July 15th, 1914, that is to say, on the eve of the war, had never come into force. It is of the nature of a sur-tax, somewhat similar to the English super-tax. It falls on all incomes without distinction in excess of 5,000 francs in general, 7,000 for the married, 8,000 for married people with one child, and so on. The rate fixed by the law was originally very low, not exceeding 2 per cent., and that only on an income in excess of 25,000 francs (£1,000). But the Government's new bill raises this to 5 per cent., which, for a time like the present, will appear moderate to English eyes, since an income of 100,000 francs (£4,000), will only pay 4,250 francs (£170) in the case of a bachelor, and 3,200 francs (£128) in the case of a married man with three children. But it must not be forgotten that certain taxes on mortgages are high in France, and that the tax on transferable securities may reach 12 or 13 per cent. in the case of bearer securities.

"It would be interesting to trace the history of the income-tax proper. It has been thrown out twenty times in the last fifty years by the stubborn opposition of the middle classes, who in France have an inveterate dislike of disclosing the figure of their income to the public, and more especially to the State. This door is forced at last, but, so fate chooses, at the most tragic hour of our history. Yet it may, after all, be a good moment for the new tax to be acclimatised. At a moment of hot patriotism the French middle-class may show more good will in the declaration of their incomes. We have an instance of this already ; for though the law has left the taxpayer a choice between a declaration by the taxpayer and assessment by the Treasury, and though there was

reason to believe that the majority of taxpayers would prefer the second course, about half have made the declaration themselves. But it is true, also, that there are numbers who have declared that their income for the year has not reached the minimum assessable figure, although in declaring that, owing to the war, they are not liable, they engage themselves to pay the tax when the war is over, and conditions are normal again. While the Minister of Finance does not expect a yield of more than 100,000,000 francs from these taxes, the number of those who have to pay it—that is of those whose income exceeds 5,000 francs, or 7,000 to 10,000 in the case of married men—is estimated to exceed 320,000, after deduction in respect of the occupied territory. The figure will interest economists as an indication of the extremely equal division of wealth in France.”

---

THE barometer of prices which is kept at the Board of Trade, and may be read in the *Labour Gazette*, continues to show a fall in the power of money to purchase food. The latest returns show a rise of 55 per cent. in the price of food in the United Kingdom between July, 1914, and May, 1916. This comparison is confirmed by the Index number instituted by Mr. Sauerbeck, and now continued by Sir George Paish. According to these statistics, published in the *Journal* of the Royal Statistical Society for March, 1916, the rise in the price of food from the beginning of the war up to December, 1915, was 49 per cent. An analysis of the items which make up this average result presents some striking contrasts. The price of vegetable food had risen by nearly 77 per cent.; that of animal food by little more than 31 per cent. The rise is not confined to food. It appears that the other articles on which the Sauerbeck index number is based—namely, materials—and therefore presumably the things which are made out of those materials, rose in price by some 44 per cent. during the eighteen months preceding December, 1915.

---

RUSKIN COLLEGE is to be congratulated on the appointment of Mr. Sanderson Furniss as its Principal. His fitness for the post will be recognised by all who have read the judicial reviews which from time to time he has contributed to the *ECONOMIC JOURNAL*. Rarely is sympathy with the feelings and aspirations of Labour combined with such power of economic reasoning. Mr. Furniss has been for many years a tutor at Ruskin College. His predecessor as Principal was Dr. Gilbert Slater, now Professor of Indian Economics in Madras University.



WHEN the war broke out it was decided to suspend the residential work of Ruskin College, and the buildings, after being temporarily placed at the disposal of the Belgian Refugees Committee, were offered to the Government, and are now being used as a hostel for nurses. Teaching by correspondence is, however, being carried on as usual, and the College will re-open for residential work at the earliest possible opportunity. In the meantime arrangements are being made for the holding of a Conference of Trade Unionists and others under the auspices of the College in Oxford in July next, when papers will be read by well-known economists, and discussions opened by prominent representatives of Labour on questions relating to industrial organisation after the War.

---

AN Oxford correspondent writes :—At the first meeting of the Association of Barnett House, Oxford, a memorandum of policy was submitted to the Associates, the discussion being introduced by Prof. W. G. S. Adams. The memorandum of association indicates three principal, but closely related, objects which Barnett House is intended to serve : (1) The advancement of economic and social studies in Oxford and elsewhere ; (2) the advancement of University Settlements and other organisations for social work ; (3) the advancement of the work of the Tutorial Classes Committee in Oxford, and generally of the higher education of the industrial classes. The other objects specified in the memorandum—the establishment of a specialised library, the provision of lectures and instruction and the publication of literature—may be regarded as contributory to the three main objects of the foundation. Two points were emphasised in regard to the first object :—The importance of (1) correlating the study of social-economic problems with other branches of economic and political study, and of viewing questions of economic organisation, not from a sectional, but from a national and also an imperial standpoint ; (2) of assisting the advancement of social and economic studies, not only among members of the University, but also among others outside the University. The House will serve as a centre for the work of the Oxford Committee on Social Training ; but the Association is open to persons and institutions interested in social and economic study and organisation, not only in this country, but in other parts of the British Empire and in foreign countries. On the basis of such a wide and representative membership it is hoped that Barnett House may serve, not only as a laboratory of social and economic studies, but

as a clearing-house of information, and that it will play a considerable part in that co-ordination of research and investigation which will become an increasingly important factor in social and economic progress. The relationship, again, of the House to the work of the Tutorial Classes may be equally fruitful and significant. But it is not only in the urban, industrial and social movement that Barnett House will find a sphere of activity: it is strategically situated for the study of rural problems, being already closely associated with the Oxford Institute for research in agricultural economics (under the direction of Mr. C. S. Orwin), as also with Plunkett House, Dublin. For all these purposes the immediate need is to develop the resources of the library, to collect and publish information, and to promote research work: and for this the one thing needful is the support of a strong and constant body of Associates—not only within, but outside Oxford. Mr. Sidney Ball has been elected first President of the Association, with the Provost of Oriel and the Master of Balliol as Vice-Presidents, and Professor Adams as General Secretary.

## RECENT PERIODICALS AND NEW BOOKS.

### *Journal of the Royal Statistical Society.*

- JANUARY, 1916. *The Right Hon. Lord Welby: An Appreciation.*  
SIR ALGERNON WEST. *Human Capital and the Cost of War.*  
H. BOAG. *On Birth-rates, Death-rates, and Occupations.*  
T. A. WELTON.
- MARCH, 1916. *The Register of Belgian Refugees.* T. T. S. DE JASTRZEBSKI. The refugee population is not a typical sample of the Belgian nation. Some provinces, and some occupations—especially agriculture—are under-represented. *On the Statistical Enquiries needed after the War in Connection with Eugenics.* MAJOR LEONARD DARWIN. Several interesting inquiries as to the racial damage done by war are suggested. Dr. Greenwood, Mr. Snow, and Dr. Chalmers Mitchell, in the discussion of the Paper, made additional suggestions. *Prices of Commodities in 1915.* The continuation (by Sir George Paish) of Sauerbeck's index-number.

### *Contemporary Review.*

- APRIL, 1916. *The Distribution of the Burden of War Charges.*  
PROF. A. C. PIGOU. A sequel to the article summarised in the March issue of the ECONOMIC JOURNAL, and a forerunner of the book reviewed above.
- MAY, 1916. *Commercial Supremacy after the War.* RIGHT HON. SIR J. COMPTON-RICKETT, M.P.

### *The Nineteenth Century.*

- MAY, 1916. *War Finance.* J. A. R. MARRIOTT. In an interesting review of the fourth war Budget, among other lessons it is suggested that the Chancellor ought to have devised a scheme whereby some proportion of excess wages might be reserved by the State as a loan. The touch of imagination is wanting to the Budget.

### *The Quarterly Review*

- APRIL, 1916. *German Business Methods in France before the War.* RAPHAEL-GEORGES LÉVY. Referring to Prof. Hauser (reviewed above) and other authorities, the writer describes and deprecates German methods of penetration.

*Bengal Economic Journal* (Calcutta).

APRIL, 1916. This is the first number of a journal of which the objects are summarised by Prof. C. J. Hamilton, one of the editors, as "the encouragement of the study, practical and theoretical, of the problems that bear on the well-being of India and in particular of Bengal." The journal is the organ of the Bengal Economic Association, of which the inaugural proceedings are reported. Among the articles is one by DR. C. A. BENTLEY, showing a correlation between the health of the population in Indian provinces and their economic condition. The other editor, PROF. J. C. COYAGER, writes on the *Moratoria*, giving historical examples of their uses and dangers, and also reviews several publications.

*L'Égypte Contemporaine* (Cairo).

MARCH, 1916. *Les problèmes économiques du lendemain de la guerre*. CH. GIDE. A brilliant survey of the problems to be faced generally after the war—the payment of the cost of war, the rebuilding of ruins, the reorganisation of industry, the accumulation of new capital, and the replacing of men who fall in warfare. Between the organisation of German *Kultur* and the individualism of the Western peoples may we not find a social *régime*, less oppressive than the first, less egotistical than the second, in the free co-operation of individuals and of nations? *De l'effet de la guerre actuelle sur la circulation fiduciaire en Égypte*. G. BLANCHARD. The forced currency of paper in Egypt is safeguarded against inflation by a reserve of 50 per cent. in gold and 50 per cent. in approved securities, an arrangement which has the defect of inelasticity. *La mendicité en Égypte et sa répression*. KAMEL A. GREISS. *La guerre et ses conséquences économiques pour l'Égypte*. CH. CHÉDIAC. *Chronique agricole de l'année 1914-15*. J. SCHATZ. Confined to Egyptian agriculture.

*Journal of the Russo-British Chamber of Commerce* (Petrograd).

The first number of this journal, written in Russian, appeared in January. The February number contains an article on the war and the economic position of Great Britain.

*The Quarterly Journal of Economics* (Cambridge, Mass.).

FEBRUARY, 1916. *Cost and Value of Service in Railroad Rate-making*. M. O. LORENZ. *Joint Costs with especial regard to Railways*. LEWIS H. HANEY. *Currency Depreciation in Time of War*. A. C. WHITAKER. A definition and division of the subject is followed by the application of practical tests, premium on gold, derangement of the foreign exchanges, use of index-number representing level of general prices. *Neglected Factors in the Problem of Normal Interest*. F. H. KNIGHT. *Relation of Scientific Management to Labour*. C. BERTRAND THOMPSON. *The National Founders' Association*. MARGARET L. STECHER.

*Giornale degli Economisti (Rome).*

- FEBRUARY, 1916. *Il commercio marittimo dopo la guerra.* E. CORBINO. *Sulla misura del vantaggio che il consumatore ritrae da uno scambio.* ULISSE GOBBI. *Sul concetto di utilità economica.* C. GINI. *La politica commerciale italiana.* A. FRASCHETTI.
- MARCH, 1916. *Fenomeni economici della guerra.* M. PANTALEONI. A felicitous exposition of several peculiarities in the economics of war—the loss of efficiency consequent on a sudden change to producing munitions instead of objects previously desired, the essential difference between a foreign and an internal loan, the depreciation of money, etc. *Problemi finanziari della guerra.* A. CABIATI. More war problems. *Luigi Perozzo.* G. MORTARA; LUIGI BODIO. An authoritative appreciation of a great statistician.
- APRIL, 1916. *Oscillazioni dello sconto e dei prezzi.* C. BRESCIANI-TURRONI. *La politica commerciale italiana.* A. FRASCHETTI (continued).

*La Riforma Sociale (Turin).*

*Sulle premesse economiche del contratto collettivo.* G. PRATO. A magistral discussion on the advantages of collective bargaining; concluding that until the superiority of this sort of contract is mathematically demonstrated, legislation based on that presumption is premature. *Tacito, Machiavelli ed i Ferroviari.* E. SELLA. A chapter from the forthcoming second volume of the author's *Concorrenza*. The mutinies of Roman legions described by Tacitus furnish parallels to the strikes of railway-men.

*Scientia (Milan).*

- No. XLVI. (FEB., 1916.) *Les dépenses de la guerre et leurs conséquences économiques.* CHARLES GIDE. *Riflessioni: A proposito della guerra.* A. LORIA.
- No. XLVII. *Réflexions d'un Danois sur la guerre.* G. JESPERSEN. *Le fonti economiche della guerra.* C. SUPINO.
- No. XLVIII. *The Future of Europe.* J. H. ROSE.

## NEW BOOKS

*English.*

BRASSEY (EARL). *Work and Wages.* The reward of Labour and the Cost of Work. Founded on the experiences of the late Mr. Brassey. London: Longmans. 1916. Pp. 200

["A volume of extracts, revised and partially rewritten"—this second or third subtitle aptly describes the contents of a volume which reproduces some portions of the author's well-known book, *Work and Wages*, first published in 1872, and some of the Addresses which make up his *Lectures on the Labour Question*, published 1878.]

CLAY (HENRY). *Economics. An Introduction for the General Reader.* London: Macmillan. 1916. Pp. 476.

[To be reviewed.]

CURTIS (L.). *The Problem of the Commonwealth.* London: Macmillan. 1916. Pp. 248.

[The writer's name does not appear on the cover, only in the signature of the Preface. The relation between Great Britain and the Dominions is the main subject.]

GRANT (A. J.) AND OTHERS. *An Introduction to the Study of International Relations.* London: Macmillan. 1916. Pp. 207.

[Six essays by five authors, A. J. Grant, J. D. Hughes, Arthur Greenwood, P. H. Kerr, and F. F. Urquhart. The essay most concerned with economics is one of the two contributed by Mr. Greenwood.]

HUTCHINS (B. L.). *Women in Modern Industry.* London: G. Bell. 1915. Pp. 315.

[Reviewed above.]

PEASE (EDWARD R.). *The History of the Fabian Society.* London: Fifeild. 1916. Pp. 288.

[Twelve portraits, mostly of well-known personages, and many personal incidents enliven a narrative of which the accuracy is guaranteed by the position of the author, secretary of the society for over fifteen years, and a leading member from the foundation of the society in 1883-4.]

RANKIN (M. T.). *Arbitration and Conciliation in Australasia.* With an Introduction by J. Shield Nicholson. London: Allen and Unwin. 1916. Pp. 192.

[To be reviewed.]

RIGNANO (EUGENIO). *The War and the Settlement: An Italian View.* Translated by A. M. Sanderson Furniss. With a Critical Introduction by Professor Ramsay Muir. (Published by the Council for the Study of International Relations.) Pp. 100. 6d.

[An excellent translation of an article in *Scientia*, already noticed in the *ECONOMIC JOURNAL*. Prof. Muir ably criticises the author's recipe for universal peace.]

SMITH (JAMES HALDANE). *Economic Moralism.* London: Allen and Unwin. 1916. Pp. 288.

[“An essay in constructive economics” is the subtitle. The part of the work headed “The Economic Framework” comprises “the ideal, based on absolute ethics, and the practical, based on relative ethics.”]

SOREL (GEORGE). *Reflections on Violence.* Translated by T. E. Hulme. London: Allen and Unwin. 1916.

[To be reviewed.]

TILLYARD (FRANK). *Industrial Law.* London: Black. 1916. Pp. 626.

### *American.*

BRISTOL (LUCIUS M.). *Social Adaptation. A Study in the Development of the Doctrine of Adaptation as a Theory of Social Progress.* With a Preface by T. N. Carver. Cambridge, Mass.: Harvard University Press. 1916. Pp. 356.

BROWN (HARRY GUNNISON). *International Trade. A Study of the Economic Advantages of Commerce.* New York: Macmillan Co. 1915. Pp. 193.

[An academic treatise by the Assistant Professor of Economics in the University of Missouri. To be reviewed.]

COHEN (JULIUS H.). *Law and Order in Industry.* New York: Macmillan. 1916. Pp. 292.

[The writer, who was called in as a lawyer on the occasion of a strike in the cloak-making industry of New York gives his experience of attempts to secure industrial peace by collective bargaining.]

GANTT (H.). *Industrial Leadership.* Newhaven: Yale University Press. 1916. Pp. 128.

MUNRO (W. BENNETT). *Principles and Methods of Municipal Administration.* New York: Macmillan Co. 1916. Pp. 491.

[The author is Professor of Municipal Government in Harvard University.]

### *French.*

PRATO (GIUSEPPE). *L'occupation militaire dans le passé et dans le présent. Barbarie ancienne et civilisation moderne.* 2<sup>e</sup> édition revue et augmentée par l'auteur. (Traduction de M.P.B.). Paris: Giard. . . . 1916. Pp. 103.

[Considering the reputation of the author for historical research and scientific precision, this is perhaps the most authoritative indictment of German methods of war that has been published.]

### *German.*

DIEHL (KARL). *Zur Frage eines Zollbündnisses zwischen Deutschland und Österreich-Ungarn.* Jena: Fischer. 1915. Pp. 50.

JASTROW (DR. J.). *Geld und Kredit im Kriege (Weltwirtschaftlicher Archiv).* Jena: Fischer. 1915. Pp. 97.

PLAUT (DR. THEODOR). *Der Einfluss des Krieges auf den Londoner Geldmarkt.* Jena: Fischer. 1915. Pp. 105.

[The first number of a series of *Kriegswirtschaftliche Untersuchungen* to be issued by the Institute of Commerce and "World Economics" at the University of Kiel. The work purports to be a scientifically objective presentation of the changes in the English money market caused by the war.]

### *Swiss.*

EGGENSCHWYLER (W.). *Das schweizerische Finanzproblem.* Zurich: Füssli. 1916. Pp. 103.

MORI (DR. P.). *Neue Wege schweizerischer Exportpolitik.* Zurich: Füssli. 1916. Pp. 56.

[This and the preceding book belong to the series of Swiss Questions of the Day—*Zeitfragen*.]

### *Italian.*

CASSOLA (C.). *L'azione economica dello stato durante la guerra.* Rome. 1916.

GEISSER E BORGATTA. *La pressione tributaria e le società per azioni in Italia.* Turin. 1916.

# THE ECONOMIC JOURNAL

SEPTEMBER, 1916

## EFFECT OF THE WAR ON JAPANESE FINANCE.

### 1. GENERAL CONDITIONS ON THE EVE OF THE WAR.

DURING the several months preceding the outbreak of the war, Japan's industries and trade were rather dull. The disputes on the abolition of the business tax and the corruption in the Navy caused long-continued political disturbances, which led at last to the Budget proposals of the Government being defeated, and to the resignation of the Ministry in March, 1914, in favour of the Okuma Cabinet. In April the Empress Dowager died, and consequently the Emperor's Coronation ceremony, which was expected to take place in the autumn, was postponed for one year. The fall in the price of rice, caused by successive good crops, weakened the purchasing power of the farmers and rendered the home trade very inactive. The decline in the price of cotton yarns, cotton cloth, and fertilisers was especially remarkable. Moreover, the failure of a bank of great importance at Osaka rendered bankers in general very sensitive.

The Import trade, too, was very inactive, and the total amount for the first seven months of the year, which in the corresponding period of the previous year was Y461,281,000, decreased to Y428,334,000. Fresh enterprises were only planned to a very restricted extent, while the new capital issue under contemplation during the same period, which amounted to Y244,098,000 in the previous year, decreased to Y199,175,000. But, on the other hand, the silk export trade with Europe and America was very flourishing, and a high price ruled. In the exportation of cotton yarn, cotton cloth, and other articles to China and other Oriental countries the increase was very remarkable, in spite of the fall of silver. During the first seven months of 1914 the total of the export trade, which was in the corresponding period of the previous year Y337,429,000, went up to Y368,435,000.



In the money market, as the result of long-continued caution among bankers and the redemption of Treasury Bills and National Loans, great ease prevailed during this period, causing a gradual decline in discount rate over the whole country.

## 2. THE FIRST YEAR OF THE WAR.

Upon the outbreak of the European war it was our foreign trade that was most affected. The want of ships, insecurity of navigation, rise of insurance premium, and fluctuation in foreign exchange caused great declines in both the export and import trades. The importation of goods of every kind from the belligerent countries entirely stopped for a while. Stocks of merchandise for exportation piled up at Yokohama and Kobe in larger and larger quantities, and a tremendous all-round fall in prices ensued. The price of raw silk, for instance, which was quoted at ¥1,000 per bale on the eve of the war, declined within a month to ¥700, and even this low price could only be kept up by means of the resolution of the Association of Silk Exporters, to the effect that raw silk should not be sold at a lower figure. Up to the end of the year the export of silk to Europe was entirely checked, and it was almost wholly by shipments to America that the large stocks of raw silk were cleared by the end of the year, though these shipments were only effected with great difficulty. Cotton yarns and cotton goods were also badly affected, and their prices declined in a striking manner. But for the stocks taken up by the Chinese market, many failures would have been recorded among the firms engaged in these lines of business. Copper, tea, "Habutæ" and other silk goods, etc., also declined heavily, and at the end of the year large stocks of these commodities lay undisposed in different ports of the country. The total amount of the export trade during the last five months of the year was ¥222,666,000, which, compared with the figures for the corresponding period of the previous year, viz., ¥295,030,000, discloses a very remarkable decrease.

The dislocation in the Import Trade was even greater and had more far-reaching effects, the cessation of the importation of merchandise, dyestuffs, and other chemical products being very severely felt. This was particularly the case with regard to dyestuffs, the resultant dearth of which proved an especially heavy blow to the manufacturers of this country, who had almost entirely depended upon foreign supplies to meet their requirements. As for cotton, the most important of the imports of this country, in spite of the fact that very low prices prevailed in

both America and India at the time when the war began, it was only possible to secure supplies after very great difficulty. This was mainly due to the closing of the discount market in London and to the loss of exchange facilities, the usual way of financing cotton shipments, viz., by raising money at London and remitting it to New York and Bombay, being for a while impossible. However, by the co-operation of the Government with the leading Japanese banks, the difficulties were, by the beginning of October, gradually overcome, and the necessary quantity of cotton for the usual annual consumption was, after all, imported during the year. The total amount of the Import Trade during the five months from August to December, compared with that of the corresponding period of the previous year, fell, however, from Y268,250,000 to Y167,401,000, the total for the year being Y595,735,000 as against Y729,431,000 in 1913.

Under these circumstances, fresh business enterprises were greatly discouraged, and the new capital issues under contemplation during the five months, compared with that of the corresponding period of the previous year, dropped from Y155,625,000 to Y51,622,000.

The fall of Tsin Tao in November called forth a general activity. But the effect was very slight, and the money market remained inactive, and at the end of December the loans of the Bank of Japan to the general public only totalled Y87,385,000 as compared with Y124,430,000 at the end of the previous year, which is a striking decrease. In like manner, the amount of the Bank Note Issue of the Bank of Japan, which stood at Y426,388,000 at the end of 1913, had fallen to Y385,589,000 at the end of 1914. The rate of interest, however, kept very steady, evidently due to the cautious and sound methods adopted by the Bank.

That the effect of the war was generally felt is reflected in the index number of prices in Tokyo, which was at the end of 1912 134.77, and at the end of 1913 131.43, but at the end of 1914 119.81.

### 3. THE SECOND YEAR OF THE WAR.

During the first half of 1915 the general slackness of trade continued. A further fall in the price of rice reduced more and more the purchasing power of the farmers, and business generally declined. Low prices in silk, cotton yarns, and other important export commodities prevailed. The export trade to Europe and America showed a considerable falling off, while the boycott against Japanese goods greatly reduced the exportation to China.

The tone of the money market became increasingly cautious, which, reacting on industrial circles, created a depression. Moreover, the import trade declined in a remarkable manner from Y382,730,000 in the previous corresponding half-year to Y288,740,000, or a fall of about 25 per cent.

However, the effect of the exports of war commodities to Russia and England then began to make itself felt appreciably, as also the benefit of the increased demand for Japanese products in India, Australia, etc., as substitutes for European goods. It was for this reason that the export trade in this period showed an almost equal total to that of the corresponding period of the previous year.

In the latter half of the year exports increased enormously. The general business activity in the United States caused a rise in the price of silk, and the exportation of raw silk to the States became suddenly larger. Among other contributory factors to the improvement in trade about this time must be mentioned the special measures of the Government in connection with war risk insurance and other matters, which facilitated the transportation of goods as cheaply as possible, and had a most beneficial effect on our foreign trade in every direction. The total export trade during 1915 was Y708,306,000 as compared with Y591,101,000 for the previous year, while the import trade decreased from Y595,735,000 to Y532,449,000. The long-continued excess of imports over exports disappeared, and instead a balance of Y175,857,000 was established in favour of exports. This was a unique event in the foreign trade of this country. Besides the usual kinds of exports, a large amount of war material, which does not figure in the trade returns, was sold by the Government to the Allies, and the excess of exports must therefore have been considerably larger than the above figure. The amount of specie, which was Y341,000,000 at the end of 1914, had increased to Y516,000,000 at the end of 1915. This was of great benefit to the finance of the country, and enabled the cherished desire for the redemption of its international indebtedness to be carried into effect. Among exports, the following striking increases deserve to be noted:—copper, Y17,695,000; woollens, Y15,599,000; shoes, Y8,501,000; and "Habutæ," Y7,666,000; while the noticeable increases among the imports were: wool, Y15,800,000, and leather, Y3,918,000. On the other hand, the following large decreases should also be noted:—in exports cotton yarns, Y12,343,000; raw silk, Y9,766,000; and coal, Y4,677,000; in imports, machinery,

Y15,877,000; rice, Y19,937,000; sulphate of ammonia, Y12,204,000; wheat, Y6,849,000; and woollens, Y5,876,000. The effect of the war on the foreign trade of the country can be easily gathered from these figures.

The manufacture and exportation of war materials, in addition to the usual commodities, caused a great demand for freight space, which at the time was very limited, owing to ships being commandeered by the various Governments in connection with the war. As a partial offset to this shortage, a number of new vessels were laid down, and consequently shipbuilders, as well as the steamship companies, reaped a large benefit. A marked activity in the Stock market also resulted, and the general aspect became brighter as the result of the Coronation ceremony in November.

In the home trade, however, the caution caused by the war and the low price of rice influenced the general atmosphere, and, together with the difficulty of importing machinery and raw materials, discouraged to a large extent fresh enterprises. The capital issues in contemplation during the whole year amounted only to Y292,584,000 as compared with Y521,108,000 and Y380,373,000 for 1912 and 1913 respectively, showing a marked falling off as evidence of the inactivity which prevailed.

Under the circumstances, the dullness of the money market is not to be wondered at, and it is not surprising that the general loans of the Bank of Japan had decreased to Y22,649,000 at the end of May and to Y9,000,000 at the end of October. The amount of Bank Notes in circulation was Y303,760,000 at the end of May, but increased to Y430,130,000 by the end of the year, the corresponding final figures for the preceding three years being: 1912, Y448,921,000; 1913, Y426,388,000; 1914, Y385,599,000.

The rate of interest declined month by month during the year. The average discount rate in Tokyo which was 8·5 per cent. in January, 1915, fell to 6·3 per cent. in September and 6 per cent. in December. The decline of the rate for deposits at banks was even more remarkable. The Fixed Deposit rate, for instance, which had remained for many years at 6 per cent. per annum, was lowered to 5½ per cent. in March, to 5 per cent. in June, and to 4 per cent. in August.

#### 4. 1916—FIRST QUARTER.

The prospect for 1916 looks very promising. Though the war does not seem likely to end in the near future, Japan's trade

will not apparently be very much affected thereby. The exportation of war material assumes larger and larger proportions, and, on account of the cessation or reduction of the supplies of general commodities from belligerent countries, the demand for the manufactures of this country in China, India, Australia, etc., is increasing by leaps and bounds. The demand for silk in the American market, too, has so far been unprecedentedly large, and the price of raw silk, which had declined to Y700 per bale in the previous year, went up to Y1,350 per bale, which price lasted for several days. The total of the export trade during the first three months of this year amounted to Y218,860,000, while the figure for the corresponding period last year is Y140,683,000. Among the increases, the most striking were Y30,738,000 for silk and Y10,000,000 for cotton yarns and cotton goods.

Owing to the larger importation of iron bars, cotton, wool, etc., the import trade is gradually flourishing. The total for the first three months, which was Y127,237,000 in 1915, reached Y175,808,000 this year. But the excess of exports over imports has been maintained, and the position continues favourable, there being every possibility of its remaining so.

The home trade, too, shows signs of revival after a long period of dullness. The index number of prices at Tokyo in March stood at 155·23, and, compared with the figures of 119·81 in December, 1914, 125·32 in March, 1915, and 145·89 in December of the same year, the progress made is very evident. Capital issues in contemplation in the first quarter of the year amounted to Y143,542,000, as against Y82,865,000 and Y95,075,000 for the corresponding period in 1913 and 1914 respectively.

The money market, notwithstanding the revival of trade and industry, does not yet show any signs of activity, and the issue of Treasury Bills of the Russian Government for Y50,000,000 had but very little effect on it. The average discount rate at Tokyo in March, which was 8·25 per cent. in 1913, 7·9 per cent. in 1914, declined to 5·75 per cent., while deposits at bankers obtained last year's low rate of interest. The continued activity in the export trade since last year has added still further to the abundance of money at our disposal, but unless the import trade increases and the introduction of machinery and other means of starting fresh industries is greatly facilitated, any remarkable activity on the money market is hardly probable.

##### 5. GOVERNMENT MEASURES SINCE THE OUTBREAK OF THE WAR.

For many successive years the Budget was not passed by the Diet, and the Government had to go on with the appropriations

of the previous year, according to the stipulations of the Constitution. It needs no saying that such a state of things is a great obstacle to a country in the prime of progress, especially when a nation is involved in a war with other nations. Therefore when the Budget for 1916-17 was passed by the Diet it was not only the Finance Minister who felt a great relief.

The essence of the new Budget, roughly stated, is as follows :—

Revenue, Y553,402,000; of this, ordinary Y523,025,000; extraordinary Y30,377,000.

Expenditure Y553,402,000; of this, ordinary Y397,450,000; extraordinary Y155,952,000.

To the above we must add the estimate of Y39,294,000 as the extraordinary expenditures necessitated by the war. The total sum of the expenditures in connection with the war comes up till now to about Y174,000,000, and it is a striking feature that the greater part of this sum was defrayed out of the surplus. In consequence, no special measures, such as an increase of taxes, were taken by the Government on account of the war, except that Y37,000,000 was devoted to new expenditure, 25 per cent. of which was, however, of a productive nature.

The most noteworthy point is the increase of specie reserve to upwards of Y500,000,000, being an increase of 50 per cent. when compared with the figures at the outbreak of the war. Besides, the redemption of debts which were raised abroad was strenuously carried out. This fact is more noteworthy, especially at a time when her Allies are fast piling up debts and taxes.

How to get rid of the bad effects of the plethora of money was the question of the day. In order to relieve this, Y30,000,000 was raised at home in November, 1915, with the view to redeem "Railway Bonds in Sterling." Besides, during 1915 Y40,000,000 were used for the redemption of other Sterling bonds, making the total for the year Y70,000,000. In April, 1916, Y40,000,000 were raised to be devoted to the conversion of Treasury Notes held in France. Within this year Y50,000,000 more, bringing the total for the year to Y90,000,000, is publicly announced by the Finance Minister to be devoted for the redemption of external debt. Thus the Japanese Chancellor of the Exchequer stands in quite a different position when compared with other Finance Ministers of belligerent nations. If his predictions of a bright future are realised, he must be, and deserves to be, highly congratulated.

It is thus clear that since the outbreak of the war steps neither new nor drastic were taken by the Japanese Government. However, the following may be regarded as somewhat special. In

September, 1915, the Government decided to guarantee war-risk insurance. Eighty per cent. of the war-risk claims paid by insurance companies of Japanese establishment, or by the Japanese branches or agencies of foreign companies, against Japanese ships or their cargoes, or any goods imported to or exported from this country on board foreign ships, was to be refunded by the Japanese Government, provided that the insurance premium was under the rate specified by the Government. By the end of 1915 the amount for which the Government was responsible as a result of this measure was calculated at Y4,225,000.

Another important measure was the establishment of a silk company for purchasing raw silk. This company was established with the pecuniary assistance of the Government to a certain extent in order to prevent the fall of the price of raw silk at the beginning of the war, when the export of silk to Europe was entirely stopped and the demand from America was very much reduced. But as the price of the silk revived soon after, the company was dissolved, and the real outlay of the Government was very insignificant. To this one may add the plan for equalising the price of rice, which was not so successful as the preceding.

#### 6. QUESTIONS NOW UNDER INVESTIGATION.

By the Bills passed by the Diet, the Bank Act and Savings Bank Act were revised and the sphere of Government control was extended, a special Bureau for the control of banks being instituted.

The Factory Act, promulgated long previously, as mentioned in my previous letter to THE ECONOMIC JOURNAL (June, 1914), is shortly going to be carried into effect, much to the amelioration of the condition of the labouring class and much to the satisfaction of social reformers.

As the result chiefly of the requisition of the House of Lords to decide the long discussed and not yet settled question of the gauge of the Government railways, whether to be satisfied with the existing system of 3 ft. 6 in. or to adopt the standard gauge of 4 ft. 8½ in., a Commission was formed in April, 1916, with the Premier as its chairman. The members were limited to the higher officials concerned simply because a Commission nearly similar to a Royal Commission in England had been already appointed in 1910, and had presented a report to the Government urging the necessity of the adoption of the broad gauge. The

new Commission is now working hard to expedite the matter so far as possible.

The gravity of the consequences of the Great War urged the Government to form in April, 1916, a powerful Commission to investigate economic measures to meet needs arising out of the war. The chair is occupied by the Prime Minister, the vice-chairmen being the Ministers of Finance and of Agriculture and Commerce, and the members are limited to sixty-five. It is divided into five sections, of trade, taxation, communication, currency, and industry.

In addition, a Commission for the iron industry was formed in May, 1916. This is smaller than the preceding, including twenty members, and being presided over by the Minister of Agriculture and Commerce. Since the legal restriction of the supply of iron by England and by the stoppage of oversea transportation from the United States of America, the country is suffering severely from want of iron. It is planned to increase the output of the Government Iron Factory in Kiushiu. But the ever-increasing demand is far from being satisfied thereby, and much hope is laid on the final outcome of the investigations of the Commission.

Last but not least come our participation in the Economic Conference held at Paris, and our help given to China. The advisability of sending our delegate to the former was much discussed by the Press. But in the end Baron Sakatani was nominated as our delegate, and sailed for Europe on May 18th with his party.

The sudden death on June 6th of Yuan Shikai leaves China now in suspense. Had it not been for the timely help given by Japan, at the request of both the Chinese and the foreign residents, by supplying at once a sufficient number of troops, no one can tell what might have happened. How far the influence of Yuan's successor will go or how the malcontents are to be satisfied, are questions to be solved hereafter. But this much is certain, that China has at last been awakened to an understanding of her real situation. And the honourable intentions of Japan are now increasing China's trust in a neighbour who has already done so much for her, and who intends to do the utmost to preserve order and further her welfare, while ever true to the long-avowed principles of the open door and the integrity of the country.

JUICHI SOYEDA

(Correspondent of the Royal Economic Society)

Tokyo, June 13th, 1916.



## BRITISH INDUSTRY AFTER THE WAR.

### I.—A SYNOPSIS.

IN trying to estimate the position of industry after the war it is convenient to follow the usual classification of agents of production.

*Land* needs no special mention, as it will not have suffered any noteworthy change.

*Capital* will be scarcer, but readers of *THE ECONOMIC JOURNAL* will not fall into the common exaggeration on this point. If England is not invaded, the capital goods of the country will not suffer actual destruction, with the exception of a few ships, and, so far as can be foreseen, there is no likelihood that the stress of war will be severe enough to cause them to be neglected and fall into disrepair. Even now large sums are being spent on new buildings and machinery, but as these are chiefly for special war uses we may say that the customary extension of the supply of capital goods is nearly stopped. In ordinary circumstances that extension is annually 1 or 2 per cent. of the existing supply. If, then, the war were to last three years, Britain might at the end find itself 3 or 4 per cent. short of the equipment it ought to have by that time.

As to the ownership of the capital goods, there will be no change of nationality. Britain started the war with about four thousand millions of foreign investments; it may perhaps end with three; as an extreme we may suppose the amount reduced to two thousand millions. We are not within sight of actually using up our foreign capital; the loss of a part of it will affect the incomes of some Englishmen, but has no direct influence on the earning power of the nation, which will remain a creditor of the rest of the world.

When peace brings new industrial investment, the price of new capital will be very high, but no very large amount will be required immediately for home use, and it is only by slow degrees that the interest paid on old capital is assimilated to that on new investments—a large part, in fact, is regulated by existing con-

tracts that have years to run. If we take the value of the capital (not land) in use in the United Kingdom at six thousand millions, and suppose that in a few years the interest on this rose 1 per cent., then £60,000,000 a year would be taken from wages and profits and given to the owners of capital. This is not a negligible amount, certainly, but it would make no revolutionary change in the distribution of the income of the nation.

The efficiency of *labour* will, on the whole, be greater after the war. The only unfavourable circumstance is the actual destructive effect of the fighting. This will be very severe in some foreign countries; but if England continues to be as fortunate as hitherto the small loss of working power will be overbalanced by the stimulus the war has given to the introduction of improved processes, the training of unskilled and semi-skilled workers who have been raised to higher grades, and the increased employment of women in industry.

It is possible to form a rough estimate of the loss of working power due to war. Dividing the population into classes consisting of men and women of different ages, and attributing a reasonable average earning capacity to the members of each class, it will be found that the earnings of an entire population of 100 are equal to the earnings of about thirty-five males of military age. If, then, the soldiers killed amount to 1 per cent. of the population, the loss of earning power is  $1/35$ , or, say, 3 per cent. Against this is to be set a diminution in consumption of 1 per cent., or rather more, since men eat more than women and children, so that the net impoverishment per head is less than 2 per cent. Our losses in the war—killed and died of disease—are so far only a quarter per cent. of the population. It is evident that, allowing further for the maimed, the casualties may be very much greater than at present before the loss of working power reaches, say, 5 per cent. In Germany the killed may perhaps already reach nearly 2 per cent., the permanently injured at least as many, and, further, the hardships of the soldiers and the privations of the poorer civilians have been so great as to impair the health of the working population as a whole. England, fortunately, has been free from this consequence of war; we may therefore expect, for the reasons already stated, that the working power of the nation will have been somewhat increased.

The factor of *organisation* needs to be treated under several heads. In the first place, the actual supply of organising ability cannot but be favourably influenced by the war, with its new experiences and its stimulus to thought.

But besides a good supply of organising ability there is required :—

(a) A favourable conjuncture.

(b) Wise action by the Government.

(c) What may be called the moral factor in production, which, in the present *régime*, means chiefly a good understanding between the workpeople and the enterprisers.

(a) The danger commonly recognised in connection with cessation of war lies in the difficulty of knowing what to set people working at. Cessation of war contracts, and the liberation of large numbers of troops, involve a risk of unemployment on a large scale before industry can be reorganised to meet the occasion. Employers will, in their own interest, try to find openings for business, and the necessity for reconstruction in the countries ravaged by war will give clear openings to certain trades. The countries outside Europe, too, have been kept waiting for a vast amount of constructional work.

A committee of business men and economists, appointed to consider the matter in the public interest, might be really useful here collecting information and offering advice as to the directions productive effort should take. A writer who is not specially qualified cannot offer suggestions of value, but the broad aspect is that in a state of equilibrium the world's needs will keep the world's workers engaged and paid; when this state of equilibrium fails, it is because the organisers of industry cannot forecast what the world is going to need; they then hesitate, and production and employment are reduced. When the war began we found out in a few weeks what we were in need of. When it closes, the problem will not be quite so simple, but the pressing need for reconstruction should serve at least as a partial guide to industry and help to keep it occupied for a year or two till normal conditions can be restored.

(b) The action of the Government is, in the present organisation of industry, restricted to collecting information, to removing any legal difficulties in the way of production, and to offering its services to promote good relations between employers and employed. There is not likely to be any radical change after the war; no doubt Government will retire from its prominent position in manufacturing as soon as the demand for munitions ceases.

There is, however, a tendency in the evolution of industry to supplement the efforts of individuals by the conscious action of the community. Organisation cannot be carried beyond a certain stage by private effort alone, and accordingly one sees a steady

increase in the functions of the State, notwithstanding that the responsibility for industry is still essentially individual. This development is naturally most marked in the case of Germany, the nation that excels in organisation. It was a matter of common remark before the war that the German State supported its citizens, not only by a very full service of information, but by shipping subsidies, by the utilisation of the State railways, by diplomatic pressure, by State participation in banking and trading syndicates. It is to be expected that all nations will show an increasing tendency towards such methods.

(c) England, then, at the close of the war may expect to find a supply of labour more efficient than it possessed before; a supply of capital which, though somewhat behindhand, is not short enough to be a serious hindrance; organising ability, which, we may hope, will rise without too much difficulty to the demands of a changed conjuncture of circumstances. But these will not avert a dangerous crisis if the moral factor of goodwill is neglected. Employers and workpeople will, in any case, have to pass through a period of difficult readjustment, and probably of severe competition from abroad; mutual suspicion and quarrelling will be more disastrous than ever. The employing classes must be called upon, in the national interest, not to press the advantage in bargaining they will possess at the moment; and workpeople must show a willingness to co-operate, if they are to come reasonably well through the period of change.

## II.—A CONSTRUCTIVE SUGGESTION.

The success of an attempt at co-operation depends greatly on the attempt being well timed. After the war it would seem that the interests of labour and enterprise will be to a certain extent ranged on the same side and in opposition to capital; this may give a chance for a *rapprochement* between the two former. The distinction between capital and enterprise, long familiar as it is to economists, has not been properly grasped by the public, and this opportunity should be taken to emphasise it. The capitalist will be sought after and will enjoy a higher rate of interest than has been current for a century; but the enterpriser is likely to have a difficult time. Can the enterpriser class and the workpeople be persuaded, in these circumstances of difficulty for both, to work together, to unite their powers of bargaining to gain better terms from the lenders of capital, rather than to fight each other for profits which, in the circumstances, will be very difficult to secure?

If, after the war, there is a severe struggle between employers and organised labour—which is not at all an unlikely event—it will lead to very hard times in Britain, while available capital will flow to the New World and secure high interest there; and the competition of other European countries, trying to recover their position, and content with a lower standard of living, will take away our foreign trade. Only if both parties to production work harmoniously and harder than usual are we likely to escape depression, so the occasion would seem particularly suited for trying experiments in the organisation of production.

By this is not meant some revolutionary change, like that of national guilds, which, if practicable at all, could not be accomplished in time to meet the impending troubles, but schemes that can be carried out at once, whether of old types, like profit-sharing agreements, or newer ones, better suited to the present-day temper of the workpeople.

The aim of any such scheme must be to increase productivity, so as to be able to stand hard times and severe competition. It is generally admitted that the present organisation of industry does not give the workman an incentive to do his best. Unless, therefore, the workmen are prepared to take over the whole organisation of a business, what is required is that workmen and enterpriser should frankly recognise their need of each other and come to an amicable agreement. The enterpriser must give up any obsolete notions of being the "master" or the social superior that may cling to him, while the men must cease to think of the enterpriser as an enemy, the two making an equal bargain, just like two business men buying and selling.

Let us suppose an enterpriser, whether individual, firm, or company, proposes to undertake a certain class of manufacture. He approaches the trade union concerned, who supply the needed workmen, and a committee is formed, representing chiefly the workmen who will be engaged, but also the trade union, or unions, to give it more permanence. An agreement is entered into by which the one party provides the factory, machinery, and floating capital; undertakes to engage a certain minimum number of men, at an agreed wage, for a certain period—say, six months; the other party undertake to do, to the best of their ability, any work that they are directed to do for that period. The arrangements as to doing the work would rest entirely with the workers' committee, who would engage or dismiss men and regulate the hours and conditions in the factory. The enterpriser would have no other functions than to provide raw materials, direct the com-

mittee to manufacture certain goods, see that these were delivered promptly and in good condition, and pay wages and other outgoings.

The accounts of the undertaking would be kept by a qualified accountant, engaged jointly by the enterpriser and the workers' committee; at the end of the agreed period they would be rendered in such a way as to show what profit had been made; this would then form the basis for a new agreement, in which wages would be increased or reduced, according as the profit made appeared to be excessive or insufficient.

Of course, if the enterpriser came to the conclusion that the men were not carrying out their agreement to work to the best of their ability, or the men came to the conclusion that the enterpriser was incompetent to his work of forecasting demand and choosing what goods should be manufactured, the agreement would be allowed to lapse at the end of an agreed period. In the course of the enterprise many difficulties of detail would arise that could only be settled by experience and mutual goodwill, but that may be said of any organisation of industry, including the existing one.

Such a plan could be carried out without delay and without legislative interference, and it would seem to offer the men some satisfaction for their legitimate desire to control the conditions under which they work, and ensure them a fair share of the return. The essential gain of any scheme which would make workmen feel that the business was at least partly "their own" is increased production. This is at any time the necessary condition for social progress; but, it may be repeated, in the circumstances likely to occur after the war, it may well be the necessary condition for avoiding a social disaster.

#### NOTE.

It is needless to point out to an audience of economists that, in normal circumstances, the prosperity of one nation is not economically harmful to another, even if a political opponent. But during the period of want of equilibrium following the war, when there may be a considerable shortage of employment, one nation may gain advantage by keeping another out of what work is going. Hence it is necessary to inquire into the probable competition from abroad, especially of the Germanic nations.

No conclusions can be drawn except by making reasonably definite assumptions; we will therefore assume that the war lasts a considerable time longer, and ends in the complete defeat of

Germany. Applying the same method as before, it will at once appear that capital is likely to be scarcer in Germany than in England, and that labour power will be impaired by the actual destructive effect of war and invasion. Organising ability no doubt will not fail Germany, but the economic conjuncture is likely to be more unfavourable, because the victors will do all in their power to make it so. In this respect not only tariffs, but sentiment, will be of influence; each belligerent group is likely to object to purchasing from the other, and as the Central Powers export more than they import from the Allies, this will be a slight disadvantage to them. In all these respects German production will be more difficult than British. The balance may, however, be inclined the other way if German *moral* is better than British.

If the German people are possessed by an enthusiastic determination to recover their position: if the working classes will face privation and suspend their conflicts with employers, and the rich will bear their share of fiscal burdens and live sparingly, the handicap will be sufficient to enable them to undersell British goods in neutral markets, and rapidly regain wealth and importance. Whether the German people will make this supreme effort only the course of history can show. But it is in their power; nothing but killing off German manhood and ravaging the country could prevent it. Hence, if we are to hold our own, the imperative need for social harmony.

R. A. LEHMERT

Johannesburg,  
Jan., 1916.

## THE SCANDINAVIAN GOLD POLICY.

At the beginning of February, 1916, the Swedish Riksbank surprised the world—in so far as the world takes any interest in our small and distant country—by stopping, not gold payments, which indeed would have been a very commonplace matter in these days, but the acceptance of gold in payment for its notes at the former legal ratio : 2,480 kroner<sup>1</sup> for one kilogram of pure gold.

The immediate reason for this step was a very simple one, but in order fully to understand it a few words about the Swedish monetary system may be required. Our central bank is a State bank (more properly speaking it belongs to the Swedish Parliament) ; it has a monopoly of note issue, and the issue is regulated by the principle that the amount of circulating notes may not exceed double the amount of its gold by more than 125 mill. kr. When its gold reserve, as was the case just before the war, is about 100 mill. kr., its right of issue consequently amounts to a maximum of 325 millions.

These, of course, are very liberal conditions. Sweden in ordinary times holds less gold in proportion than most of the European countries, even less than the other Scandinavian countries.<sup>2</sup> To this extent it does not take quite its due share of the burden of keeping the world's gold reserve ; but for its own use its actual cash is a rather superfluous thing. Gold has never circulated in Sweden, the notes of 10 kr. and 5 kr. taking its place, and as regards foreign payments the Riksbank and the other banks help themselves by keeping sufficient balances abroad or, if need be, get help by the credit of the Government, Sweden being in general a borrowing country. During the last fifteen years the cash of the Riksbank—the only gold fund of the country

<sup>1</sup> Less a quarter per cent. minting costs.

<sup>2</sup> The new regulations for the Bank of Norway state that the bank may issue notes to the amount of fifty per cent. more than the actual gold in its cellars + 70 millions kr. + its balances with the central banks of Denmark and Sweden up to a sum of 6 million kr. and not more.



worth mentioning—has, in fact, almost continually increased by just the amount necessary to support the continually increasing demand for notes; and it has only once in that time decreased, namely in the autumn of 1907, when the well-known American “gold-suction” seems to have stretched a small sucker even to our country. The Swedish Riksbank then actually “lost” some 6 mill. kr. of gold which, however, in a few months came back again.

In these circumstances the Riksbank might, just as well go without any gold at all, and as its chief profit comes from its note monopoly, its officials, anxious to show the best possible economic result of their business, of course, do not like holding more gold than they are compelled to by law with due regard to the necessity of keeping a sufficient note reserve.

At the beginning of the war, Sweden, like most other countries, locked up its gold. At the same time the right of note issue was provisionally extended by another 125 mill. kr. With a gold fund of about 100 mill. kr. the right of issue therefore would have been 450 mill. kr., whereas at the end of March this year, when it reached its maximum, the amount of outstanding notes was only 332 mill. kr., leaving a rather substantial margin of note reserve.

During the war, however, and more especially since the end of last year, as a result of the favourable balance of trade and the low level of the foreign rates of exchange, gold has been pouring in from abroad, so that by the end of April, 1916, the gold fund of the Riksbank stood at 165 mill. kr., as against 104 millions at the end of July, 1914. Even without the provisional extension the right of note issue would consequently have exceeded the actual circulation of notes by some 120-130 mill. kr. A further influx of gold therefore, if unhindered, would only have loaded the Riksbank with an unprofitable mass of gold; in other words, the business of *lending* notes would, to a great extent, have been supplanted by simply giving out notes for gold, without getting any interest.

This, in fact, was the only reason officially given by the bank when asking the authorities for leave to take the step in question. And this, as far as I know, was also the reason by which Denmark and Norway were led to adopt the same policy, thereby at the same time giving it full effect, since the free coinage of gold could only be suspended by a common understanding between the three countries; and, moreover, because Danish and Norwegian *gold coins* are legal tender even in Sweden.

From a very different point of view, however, the step has been strongly supported by some Scandinavian economists. Although our countries have been spared the horrors of war, and their economic life has been able to go on much in the same way as before, the phenomenal rise of prices, if it has enriched our agriculturists and exporters, has caused, at any rate in Sweden, very great sufferings among the great mass of the people, wages not having kept pace by any means with the price of commodities. Such a calamity, of course, can be met in different ways; and indeed some measures against it have been taken by the Government, though in a quite inadequate manner. But one very powerful and general remedy would be to raise the value of the monetary unit, which can only be done by a restrictive policy of credit from the side of the banks, and above all from the central bank. As long, however, as gold must be received at a fixed ratio by the bank, or can be freely coined at the mint, this policy of restriction would, of course, be of little or no value. The suspension of gold coinage, and of the acceptance of gold by the bank, is consequently, from this point of view, to be regarded as a necessary *condition* for enabling the bank to uphold a policy of restriction, by which the internal currency unit could be sufficiently raised to bring the average of internal prices down to something like their normal level. But, of course, this is only *one* condition for the fulfilling of that object. If the banks are freely lending their money and the central bank its notes, or, which comes to the same thing, are buying securities to a large amount, the suspension of gold coinage alone does not mend matters; prices may for all that go up to any extent.

I have reason to believe that this thought was not wholly absent from the minds of the leaders of the Riksbank when they proposed this measure, although it was not openly stated. Unfortunately, it seems not to have been very deeply rooted therein, as subsequent events have shown; but at any rate the step taken seemed powerful enough: it not only lowered the exchange<sup>1</sup> on sterling and dollar, but for the first time brought the exchange on Amsterdam, which hitherto had stood above par, some 8 or 10 per cent. below par.

This upward movement of our money, however, was not to last long. On May 1st the Riksbank lowered its rate of discount, which for sixteen months (from January 6th, 1915), had been standing at 5½ per cent., to 5 per cent. The other Swedish banks

<sup>1</sup> The Swedish notation of the rate of exchange (contrary to the English) means always so many Swedish kroner for a unit of foreign money.

were not slow in following the example, and shortly afterwards the Bank of Norway lowered its rate likewise from  $5\frac{1}{2}$  per cent. to 5 per cent., and in a few days to  $4\frac{1}{2}$  per cent. (the Danish discount already stood at 5 per cent.). The motive stated in Sweden for this measure was only that "with the present good supply of money and the not very strong claims on the Riksbank its directors saw no sufficient reason to postpone giving this ease to our commerce and industry."

Indeed, the amount of outstanding notes had sunk during April from 332 to 322 mill. kr., but as in July, 1914, the note circulation was only 228 mill. kr. and in April, 1914, 219 mill. kr., it is not easy to see what more "claims" the Riksbank could wish for. True its discount business has gone down considerably during the war, a much heavier amount of stock, foreign bills, balances abroad, etc., as well as of gold, having taken its place. But this is a natural consequence of the war, in so far as the balance of our exports has to a great extent been paid in stock and foreign finance bills, besides gold, instead of in commodities.

The superfluity of money, on the other hand, was no doubt above all the *effect* of the extraordinary amount of the bank's own notes, and might easily have been overcome, if the Riksbank had sold or pawned part of its stock in the market.

About a fortnight after the lowering of the rate of discount the downward movement of the exchanges *ceased* and then *turned*. Other causes may have contributed to this effect, but it is difficult not to believe that the main cause lies precisely in the cheapening of credit from the side of the banks. All interest-bearing securities must go up in price, and if previously they could only be imported under the stimulus of the low rates of foreign exchange, they now require that stimulus in a smaller degree; hence the rates of exchange go upwards, too.<sup>1</sup> I cannot but regard therefore this last measure as most unsuitable; in my belief the bank rates all over the world ought to have been much higher during the war in order to hinder the continual rise of general prices.

The law of February 8th, which permits the bank to suspend the acceptance of gold is valid only up to the end of July of this

<sup>1</sup> The raising of rates abroad has, of course, the same effect as the lowering of them at home, and the present action (this was written at the beginning of June) of the French Government for bettering the exchanges is apparently in the form of offering a somewhat higher rate of interest than that officially quoted. When both these movements go together, they are cumulative in their effect. It remains to be seen what will be the effect of the late—and to my mind most rational—raising of the rates of the Bank of England. So far (August, 1916) it has had at most a steady influence, the Scandinavian rates of exchange still standing considerably under par.

year, and if at that time the present upward movement of the rates, as against gold-paying countries like England, has reached the lower gold point, the Riksbank perhaps will have no reason to ask for its renewal.<sup>1</sup> If so, the whole episode will have lost its interest and sunk down to a mere curiosity. But still it is possible—and this is why I have written these lines—that it will prove the nucleus from which a radical change in the monetary system of the world may spring up, just as the experience of Holland, when in the year 1873 it stopped the coining of silver—although at that time silver was its current money—was extended twenty years after to a much wider region by the stopping of the free coinage of rupees.

My reasons for believing this are several, but the most conclusive seems to be the following. When peace comes at last the countries which have now a depreciated paper currency: Germany, Austria, France, Italy and Russia, will try no doubt to bring their money gradually up to a parity with gold. The classical recipe for attaining this end is, as everybody knows, to make a large loan and to cancel out of the proceeds the floating paper money debt of the State by paying back the bank loans or burning the State notes. But at the present juncture another way, much shorter and even cheaper, if otherwise not quite laudable, will present itself and possibly be preferred: simply to let the gold free to seek its own level. Great amounts of it will then necessarily leave these countries, but as there are no unlimited reservoirs to absorb it, gold will fall in value, and at the same time the paper currency, somewhat reduced in volume, would rise: in a relatively short time, therefore, the values of both would meet, and the adverse rates of exchange would have disappeared.

For the countries in question this would mean too a large import of commodities, of which at the end of the war they most certainly will be strongly in need. For the gold countries, including England, it would have the opposite effect. Those countries would lose commodities and receive in exchange a mass of useless gold, which would only serve to raise still more the deplorable height of present prices. For these countries, therefore, it must become a matter of serious consideration whether they had not better evade that influx by *stopping the free coinage of gold*.

I do not mean to deny that this step would be a very serious one indeed, especially for a large creditor country. For a debtor country like Sweden it is of small consequence; we shall have to

<sup>1</sup> It has since been renewed to the beginning of February next year.

pay the interest on our foreign loans as before in the money of other countries. But I assume that, even if the war be prolonged, England would not cease to have money due to it from the rest of the world, and if England declined to receive gold, it is difficult to realise what would happen. Its debtors might insist upon paying so much gold, instead of what would then be the value of pounds sterling. And the tribunals which had eventually the duty of pronouncing upon the matter would have indeed no easy task.

To solve these intricate questions, whose practical bearing nobody can deny, it seems almost necessary to convoke as soon as possible after the war a *monetary conference*, open if possible to all the world, with the purpose of trying to find a new and more rational form for the world's monetary system.

What the deliberation of such a conference would come to I do not pretend to prophesy. I hardly think it would go back to the old gold standard pure and simple, which even before the war had clearly shown its inadequacy. But at any rate the recent gold policy of the Scandinavian countries and its consequences may prove for the members of that conference a valuable experience whereupon to build their practical conclusions.

KNUT WICKSELL

## THE PRESENT SITUATION OF THE FOREIGN EXCHANGES.

IN continuation of the preliminary remarks that I have set forth on this subject in the March issue of this JOURNAL, I wish here to give some further results of my investigations.

When we wish to get an idea of the inflation of the different monetary systems which has taken place during the war, we cannot confine ourselves to a study of the rates of exchange of a neutral place, as, *e.g.*, New York or Stockholm. For the neutral currencies themselves have not been untouched by the general depreciation of the value of money. The rates of exchange only give the relative movements of the inflation of the different monetary standards. In order to trace the absolute movements we must know the absolute inflation of any one of the standards. This is possible for the pound sterling, of which the absolute inflation may be regarded as fairly well represented by the rise of the *Sauerbeck-Statist* index numbers. As set forth in the paper referred to above, the English inflation is measured by these monthly index numbers divided by 82. The *Statist* having published at the time of writing no index number for April, 1916, I have made an approximate calculation of the English inflation for this month on the ground of the *Economist* index number.

As soon as the absolute inflation of one standard is known the absolute inflation of any one of the others may be calculated by means of the rates of exchange. For this purpose I have used the monthly means of the rates of exchange in Stockholm, as published by the Swedish Board of Trade. Of course, the proportion between the Swedish and the English inflation must be as the sterling rate of exchange in Stockholm to the par, which is 18.16. Thus the absolute Swedish inflation is calculated according to the formula

$$S = \frac{LE}{18.16},$$
 where E denotes the English inflation, calculated as above, and L the monthly mean sterling exchange in Stockholm.

Similarly, the French inflation is calculated by the formula

$\frac{S. 72}{P}$ , where P denotes the monthly mean Paris exchange in Stockholm, 72 being the par of this exchange. And the German inflation is calculated by the formula  $\frac{S. 88.9}{B}$ , where B denotes the monthly mean Berlin exchange in Stockholm, 88.9 being the par; and the Russian inflation by the formula  $\frac{S. 192}{R}$ , where R denotes the monthly mean Petrograd exchange in Stockholm, 192 being the par.

The results are given in the following table, and further illustrated by the diagram I.

*Inflation.*

Month.	English.	Swedish.	French	German.	Russian
1914: 7 .....	100	100.5	99.8	100.4	101.2
8 .....	107.2	108.4	106.7	108.1	111.6
9 .....	108.9	111.7	109.1	111.2	113.2
10 .....	109.5	113.7	109.7	115.4	117.5
11 .....	108.2	113.2	107.1	118.4	121.7
12 .....	111.7	118.1	109.8	120.1	132.4
1915: 1 .....	117.5	124.7	115.8	126.9	140.8
2 .....	123.0	131.5	122.0	136.1	143.0
3 .....	126.4	135.3	126.1	143.9	148.9
4 .....	129.1	133.1	130.0	146.8	151.5
5 .....	130.8	132.7	132.3	149.0	161.7
6 .....	129.7	129.5	133.3	148.0	168.8
7 .....	129.7	131.0	136.8	148.3	183.7
8 .....	130.4	131.1	141.0	148.5	190.9
9 .....	131.4	131.1	143.4	147.1	188.5
10 .....	134.1	132.1	145.6	149.9	195.7
11 .....	137.9	130.8	151.4	155.8	208.2
12 .....	144.3	134.9	157.6	172.7	227.4
1916: 1 .....	150.7	143.3	166.3	188.1	253.3
2 .....	154.9	145.2	172.1	196.7	249.5
3 .....	159.0	146.2	177.8	207.7	251.1
4 .....	165.7	146.8	186.9	210.7	265.8

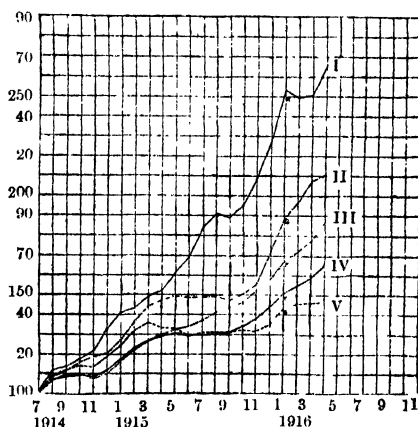


DIAGRAM I.

I. Russian; II, German; III, French; IV, English; V, Swedish

A glance at the curves of this diagram shows that the different monetary standards are all exposed to the same depreciating influences, though a certain difference of degree is evident.

The figures of the table may be said to represent the inflation of the different standards as it shows itself in the enhancement of prices in England and in the international rates of exchange. We may denote this inflation as the *effective inflation*. Now, it is of the greatest interest, on the basis of the theory exhibited in my earlier paper, to know how far this effective inflation corresponds to the relative increase in the volume of circulating means of payment or to what could be termed the *inflation of the currency*.

I have been able to ascertain that there is, for the different countries, a general coincidence between the effective inflation and the relative increase of currency. For the moment I can give the full data only for Russia. The Imperial Bank of Russia publishes estimates of the total Russian circulation for the first of each month (Russian style). Taking means of these figures for a period of three years preceding the war, and assuming an unaltered yearly rate of increase, I have calculated monthly figures for the "normal circulation" during the period July, 1914, to April, 1916. For the actual circulation I have taken the figures as published by the Bank for 1914. For the later months I have taken the note circulation on the first of every month, and added a sum of 600 million roubles, which was the sum of metallic money in circulation at the beginning of 1915. Thereupon I have divided the actual circulation by the normal circulation and thus calculated the relative increase in the total volume of the circulation.

In the table on the next page the figures of this "inflation of the currency" are put beside figures for the "effective inflation," as given above. Both sets of figures are also illustrated by diagram II.

The general conformity of both curves is striking. In the first period of the war, however, the inflation of the currency is greater than the effective inflation. This seems to be the case, generally, in most countries and indicates that, to begin with, a certain portion of the surplus currency issued was hoarded. For Sweden I have been able to establish the same fact, and even to calculate the volume of hoarding, and to prove that this hoarding had already come to an end in February, 1915. In Russia the hoarding, to judge from the diagram, seems to have been going on to the middle of 1915. From this time the coincidence of the curves is almost complete, the only deviation worth mentioning occurring



*Russia.*

	Month.	Increase of Circula- tion.	Effective Inflation.		Month.	Increase of Circula- tion.	Effective Inflation.
1914:	7	99.3	101.2	1915:	6	172.9	168.8
	8	129.9	111.6		7	185.9	183.7
	9	131.7	113.2		8	193.5	190.9
	10	130.7	117.5		9	191.2	188.5
	11	134.5	121.7		10	206.8	195.7
	12	139.3	132.4		11	212.5	208.2
1915:	1	149.4	140.8		12	222.9	227.4
	2	152.2	143.0	1916:	1	240.9	253.3
	3	156.2	148.9		2	247.1	249.5
	4	165.2	151.5		3	255.0	251.1
	5	168.0	161.7		4	264.4	265.8

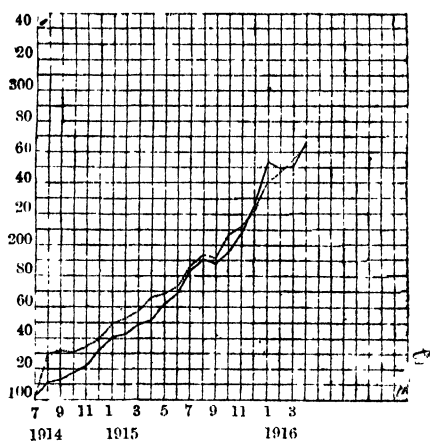


DIAGRAM II.

----- Increase of Circulation.  
 ——— Effective Inflation.

in January, 1916, when, however, the rouble exchange seems to have been exposed to adverse influences of a quite temporary character.

It might, of course, be argued that the old metallic currency does not any longer form a part of the actual circulation of Russia, and, therefore, that the increase of the volume of the currency is smaller than indicated by the figures above. If such a diminution of the actual circulation has taken place, it seems to have been compensated by a reduction of the normal need for currency, owing either to reduced business activity or to loss of territory. The result is an increase in the volume of the circulation, over and above the need at the old level of prices, corresponding almost exactly to the effective inflation as calculated on the basis of the international exchanges and of the rise of prices in England.

A similar correspondence exists for Sweden between the infla-

tion of the currency, for which I gave the figures in my former paper (p. 63), and the effective inflation as stated in the table above. But I cannot yet publish definite results on this matter.

I take this opportunity to correct the figure for the English inflation given provisionally in my previous paper (p. 64). For January, 1916, the rate of inflation for England is 150.7, as given in the table above. This table also contains some minor corrections in decimals of the figures previously given for 1915.

GUSTAV CÄSSEL

## EX-SERVICE MEN ON THE LAND : REPORT OF DEPARTMENTAL COMMITTEE.

NEW problems arising out of the war have been so immediate and so various that the general public has given little time to the consideration of questions which will not become acute until the war is over. But it is important to remember that time will not stand still. For some, at least, of these so-called peace problems it will be too late, when peace comes, to seek a satisfactory solution. Such a problem is that which was recently referred to the Departmental Committee on the Settlement and Employment on the land of discharged soldiers and sailors.

Two things have become apparent in this war. The first is the importance from both a military and economic point of view of increasing the home-grown supply of food so as to render the country much less dependent on supplies from overseas. The second is the value to the nation of a vigorous, healthy population. The strength and virility of the race depends largely on the extent to which it is reared in the country rather than the town. It is with these considerations in mind that the committee approached their task.

The first requisite of the case is to ensure the return to the land of the men who have left it in the course of the war. By the end of the present year more than a quarter of a million agricultural workers will have joined the forces, and it would be nothing short of a national disaster if after the war the survivors of these men were not to return to the land. But over and above the essential of bringing back those who were actually working on the land before the war, the demobilisation of the forces will afford a unique opportunity of increasing our agricultural population and again bringing up its numbers—so seriously depleted in the last forty years. But neither of these objects can be attained without a big change of policy. Before the war low wages, a dull life, and the absence of any outlook, were driving the farm labourer to seek more remunerative and attrac-

tive work in the towns and in the Dominions. During the war the family of the labourer who has enlisted has been receiving a separation allowance in many cases larger than the wages which he was earning before the war. The man himself has been fed in a way he never knew before. Above all, his mind has been opened, and he has developed initiative and learnt self-reliance. If the conditions of his life made him prone to leave it before the war, ten times more will those conditions make him loth to return to it after the war.

Ruin to our agriculture stares the nation in the face if radical improvements are not effected in the conditions of the labourer's life before the time comes for his return. Time is the cardinal factor. The peace problem is in truth a war problem, for it must be solved during the war.

The Committee reported first on Settlement because immediate action was necessary if land was to be acquired and equipped and the holdings got ready for occupation by the soldiers on demobilisation. But Settlement is only one part of the larger policy. A successful scheme of settlement in small holdings provides a much-needed objective in life at which every farm labourer may aim, a ladder by which he may hope to rise; and such a scheme is essential to any proposals for providing Employment for ex-Service men on the land; for there will be many men in the new armies who, while unwilling after their life in the fresh air to return to indoor occupations, would not be content to settle down permanently to the position of a farm labourer.

The conditions which are admittedly essential for success have never yet been combined in one scheme of settlement in this country. The small holdings established under the Act of 1908 have been far more successful in certain countries than is generally known; but there has been no systematic attempt in this country to ensure the co-existence in any one scheme of all those conditions, each one of which must be present if the highest success is to be achieved. It is peculiarly important that the State, in preparing its schemes for the settlement of ex-Service men, should not omit any one of the conditions of success, and for this much new machinery, legislative and administrative, is needed.

The financial position at the end of the war and the demands of the men themselves will both alike make it imperative that demobilisation should take place very rapidly. The period during which the men will have to be settled on the land will therefore be a short one; and in many other ways the conditions will

be different from those which have affected the settlement of men in small holdings by County Councils in times of peace when time did not matter. If the difficulties are great, the opportunity is greater. The report of the Committee,<sup>1</sup> in my opinion, puts forward a scheme which combines in itself all the conditions essential to success; and the Government has now appointed Captain Charles Bathurst head of a department to carry it out. It is the first time in the history of British agriculture that such an attempt has been made officially. It is worth while to draw attention to these conditions, because none can be disregarded with impunity.

1. The individual settler must be the right kind of man, a man of energy, industry and perseverance, who is ready and willing to learn.

2. Men who have had no previous experience must be given some preliminary training before they are placed on holdings of their own.

3. When the men have taken over their holdings expert guidance must be provided to assist them in making them a success. And this expert guidance is wanted both in regard to the growing of the crops, or dairy work, or pigs or poultry :—*i.e.*, as to getting the best output from the land : and also as to the management of the business. Expert advice as to buying and selling and book-keeping is just as important as expert advice about cultivation.

4. The settlements must be of sufficient size to accommodate a large number of small holders. Thus only can the proper business organisation which is so vital to the success of any scheme of settlement be obtained. If there is one factor in this country which more than any other prejudices the success of small holdings, it is the inadequacy of the arrangements made by or available to small holders for the distribution and marketing of the produce. Each individual grower stands by himself, competing in jealous isolation with every other grower. The result of this system is that the middlemen force the growers to sell at a price out of all proportion to the retail price for which the produce is ultimately sold in the towns. But with a sufficiently large settlement and a sufficiently large area under cultivation the different small holders will be enabled to combine together to do their marketing without the intervention of middlemen on the proper terms, and ultimately, perhaps, may attain to the true co-operative ideal.

Agricultural organisers and instructors appointed by some of the County Councils are doing excellent work, but their instruction would reach many more men in much less time where a colony was established. Moreover, a sufficiently large colony can afford to bear the expenses of an expert resident among the settlers and ever ready to give the help and advice which they so often require. Another advantage of the large colony is that the dulness of English country life can be cured. If men are to be induced to settle on the land there must be provided for themselves, their wives and families, some of the social amenities that are to be found in the towns. This can only be done in a large colony.

For these reasons the Committee has advised that for market-garden holdings a thousand acres should be the smallest settlement, for dairy holdings, or holdings for mixed farming, two thousand acres. These figures were chosen because it was thought that they would make it possible to have a village community of not less than a hundred families.

5. Easy access to sufficient working capital is another vital necessity. Agricultural credit is a big subject, and there is no space in this short note for a discussion of it. But the proposals of the Committee should prove sufficient for the soldier colonies.

Such is the essence of the scheme advised by the Committee. Their time will not have been spent in vain if their recommendations form part of that bigger scheme for attracting a large population to the land, which, in the words of the report, is so urgently required at the present time, in view, not only of the obligations of the State to the ex-Service men, but of the highest interests of the nation as a whole.

LESLIE SCOTT

(One of the Departmental Committee)

May, 1916.

P.S., August 31st, 1916.—Since the above was written the Committee have reported on Employment, and in the Minority Report signed by Mr. G. H. Roberts, M.P., the Hon. Edward Strutt and myself, the relation of Settlement—*i.e.*, the small-holding system of the country—to Employment is dealt with. May I express the hope that that report will be read by the readers of THE ECONOMIC JOURNAL? The Small Holdings Colonies Bill now in Committee in the House of Commons, which provides for only 400 settlers, is nothing more than a *ballon d'essai* for getting the administrative machinery for such colonies into working order.—L. S.

## REVIEW-ARTICLES

### BRITISH INCOMES AND PROPERTY.

*The Application of Official Statistics to Economic Problems.* By  
J. C. STAMP. (London : P. S. King, 1916. Pp. 538.)

At least two reviewers would be required to do justice to the diverse merits of this work, which combines minute description of official regulations with comprehensive views on fiscal policy. We do not feel competent to appraise the accuracy of the descriptions. We shall, therefore, advert with some reservation to that large portion of the work which is devoted to the exposure of fallacies due to imperfect knowledge of details. With more confidence we shall praise the author's skill in handling figures and his subtlety in the treatment of economic and social problems.

Following an order suggested by these distinctions we begin by observing that the information compiled by Mr. Stamp will be useful and interesting to various classes of readers. The theorist who aims at reconstructing the income-tax so as to effect an ideally perfect graduation may find that it is not so easy as it seems on paper to shape the rough material of official statistics into forms of mathematical elegance. The tax-collector and all concerned with the administration of the Income-tax will be assisted in the exercise of their functions. They will realise the truth of the maxim laid down by historical economists, that in order to know what an institution is, you must know how it came into being. Our meaning may be illustrated by reference to Mr. Stamp's description of the successive phases which have been passed through by the allowance for repairs under Schedule A, or the construction of farmers' incomes under Schedule B or D, or abatements and exemptions generally. The historical retrospect is sometimes carried back to the early years of the tax. The statistics of Pitt's Income-tax are interesting as the only example in this country of compulsory returns for all incomes. But Mr. Stamp seems to think that not much is to be learnt

with reference to the distribution of income at the present day from statistics relating to a period so remote, and perhaps not even then accurate.

Mr. Stamp has employed his immense knowledge of details to detect errors occasioned by want of such knowledge. He thus gives a new and impressive confirmation of the maxim that figures without facts—the statistics of one who is not conversant with the subject-matter—are illusory. One who taught that less than last century, Lucas Sargant, in his collection of the “Lies of Statistics,” gives an instance which typifies not a few of the errors now under consideration. The deterioration of the race in large towns was argued on the strength of statistics which were interpreted to mean that “there are more than twice as many children born to each country-dwelling pair as (than) are born to each couple in Manchester.” On examination it proved that the number of births given related not to married couples, but to *marriages solemnised* in Manchester and elsewhere. As Sargant puts it somewhat coarsely: “Couples came into the city to be married and went back to breed.” Similarly the statistics for Schedule E of the Income-tax, given separately for London, the rest of England, and Ireland indicate only where the assessments are *made*, not where the officials carry on their duty. The conclusion drawn by eminent Home-rulers that the number of officials in Ireland was (in 1909–10) 4,397, but in Scotland 944, is absurd. Their reasoning would prove that “while it required 944 officials to manage Scotland and 4,397 to manage Ireland and 82,896 to manage London, all the rest of England was managed by nobody” (quoted by our author from Samuel’s *Home Rule*). So under Schedule D the investments of Irishmen in Irish companies are assessed not infrequently in London. The comparability of assessments relating to different times is rendered dangerous by changes in the proportion between gross assessment and the true income which remains after deduction of items figuring in the assessments. Well do the authors of the Inland Revenue Reports warn their readers against “an implicit reliance upon the inferences which the mere figures appear to warrant.” The mere terms are equally deceptive. “Private dwelling-houses,” in the terminology of Somerset House, include many kinds of premises which would not commonly be thus denominated. A “farm-house” is an equally deceptive term. The amateur is puzzled by distinctions without any apparent difference; for instance, a Wesleyan or a Presbyterian minister is assessable under Schedule E, whereas a Baptist or Congregationalist is



assessable under Schedule D. In short, there are pitfalls everywhere; and few there are who do not fall into them. A list of those who have not escaped these dangers would include some of the most distinguished names in the roll of economic honour. Baxter, Bonar, Colson, the *Economist*, Giffen, Goschen, Leone Levi, W. R. Lawson, Mallock, Palgrave, W. H. Price, Shaw-Lefevre, Snowden—they have all gone astray and fallen short of our author's high standard of statistical perfection. One name only among those that are frequently cited by Mr. Stamp is conspicuous by its absence from the black list which we have compiled. We trust that we have not presumed an exception where none exists; that Mr. Stamp would not disallow our interpretation—like the guidwife who, when twitted with professing a doctrine so narrow as to include among the elect only herself and her guidman, replied that she was “nae so sure of John.” The position of John is possibly occupied by Dr. Bowley, not so much on account of his treatment of statistics as his treatment of official statisticians. To the strictures which have been made by Dr. Bowley and others upon the statisticians of Somerset House, Mr. Stamp replies: “Many of the criticisms urged against the income-tax statistics show a real failure to appreciate the genuine difficulties of the subject and its intractability for ordinary treatment. . . . Anyone who imagines that a taxed ‘income’ is—or can be—under the most ideal system, a simple objective fact like a death or a bale of goods or a cheque or a railway mile . . . is asked to devise . . . a scheme of taxation which shall fit all the complexity of modern life like a glove, pay over taxes without irritation, hesitation, or evasion, and yield statistics that a babe can handle.”

Here naturally arises the question whether the author has himself committed any fallacies of the kind which he condemns in others. We can only say that we have been unable to detect any more serious slips than the following. First, we have to complain that our author sometimes uses a term or figure without any concurrent or previous explanation of its meaning—like an inattentive host who puts you beside a stranger without an introduction. You may perhaps find out in the course of conversation to whom you are talking; eliciting by an inductive process what you would like to have been told at first. For instance, we read at page 90, with reference to a change in the method of assessment for Schedule B, “The most frequent pitfall brought about by the change in method is in the comparison

of aggregate assessments without allowing for the break of £37,000,000." Do we read before or in the immediate context anything about this figure thus mentioned as if it were familiar? It is not till on a later page (p. 288, referred to, indeed, at the passage quoted) that we find that £37,000,000 is an allowance made in one particular instance of the "pitfall" described generally in the passage quoted. Again, at page 340 allusion is made to "two preceding sets of figures," which no doubt do precede in the journal which is quoted, but in our author's version have to be interpreted by means of the table on a subsequent page (p. 342). On the latter page the reference to "this Royal Commission" is not very helpful, as a number of matters have intervened since the mention in an earlier page of the "R.C. on Agricultural Depression." The most serious instance of this sort of ambiguity is the use of the symbol  $\pm$  which occurs early and often in the book. No doubt the practice of statisticians justifies and explains the use of the symbol to denote "probable error." But, on the other hand, Dr. Bowley, in an Address to which Mr. Stamp has particularly referred, uses the symbol in a somewhat different sense, to denote not the error which is as likely as not to have been committed, but the error against the commission of which the odds are about two to one. Further, Mr. Stamp employs the symbol in connection with the phrase, "range of doubt" (page 405). There appears to us to be a range of doubt as to the meaning of this phrase. It might well designate not the "probable error," but an improbable one, so large as to be practically impossible, say four times the probable error as usually defined. Compare Mr. Stamp's expression, "margin of possible error" (page 13). We were in real doubt as to the author's usage of the symbol until we found it almost at the end of the book used in connection with the term "probable error." One or two other ambiguities are due to misprints of the kind which makes not nonsense, but an absurd sense, which might conceivably be attributed to the author. A mistake of this kind was made in printing the beautiful line in which Tennyson includes all the varied subjects of Virgil's *Georgics* :—

"Thou that singest, wheat and woodland, tilth and vineyard,  
hive and horse and herd."

One may imagine how annoyed the poet was to find that the printer, puzzled by the unfamiliar word "tilth," but presuming that it had something to do with agriculture, had put down "tithes." With similar feelings Mr. Stamp will find at his page 368 among the estimates of rents paid to absentee Irish

landlords, 1691, £136,000; 1729, £627,799 (prior); . . . .” A hasty or uninformed reader might interpret the parenthetic “prior” as denoting the period *previous* to 1729. But, of course, the reference is to Thomas Prior, the author of *List of Absentees of Ireland*. Again, at page 83 and context, Mr. Stamp is arguing that though the farmer in Scotland used to pay only a third of the gross assessment, while the farmer in England paid a half, there was not so much difference, there tended to be an equality in the real burdens of the tax, since *ceteris paribus* the gross assessment was larger in Scotland. A misprint of “3” for “2” (at line 2 of page 84) makes him appear to verify the argument by falsifying the arithmetic. Such are the only errors which our unusually severe scrutiny has detected. They are of a kind which can be altered by a stroke of the pen, and will no doubt disappear in a second edition.

Mr. Stamp does not confine himself to the negative result obtained by refuting fallacies. He is not like the officials of whom Dr. Bowley complains, content as it were to erect boards warning statisticians and journalists that there was Danger. Mr. Stamp has mended the public roads, so that, if we may use the language of prophecy, in future the way-faring men shall not err therein, “though fools,” or at least though not as wise as Giffen and others for whom the old, unmended highway proved unsafe. One of our author’s most useful tasks is to “purify” the figures in such wise as to allow of the comparison between incomes at different periods. Thus, under the head of “Taxable Income” he shows (Table G, 4) the true comparative series of figures computed first on the conditions of 1871 to 1893 (with £150 exemption limit and no repairs allowance); and secondly, on conditions since 1894 (£160 exemption limit and repairs allowance); in place of the official figures hitherto generally used for comparative purposes, but not properly adapted for such use. It would be interesting to exhibit the difference in the rate of growth presented by the different methods of computation. For a beginning, we find that, taking the three years 1853-4, 1854-5, 1855-6 as a base-period, with index-number 100, the index-number for 1913-14 is, according to the official figures, 378; according to Mr. Stamp’s first computation 450; according to his second, 469. In the construction of tables adjusted so as to exhibit consistent sequences Mr. Stamp occasionally used mathematical methods of interpolation; but in many instances he thinks “they do not give results so consistent and accurate as a freehand method which follows, on a technical instinct, the trend

of each series of figures, and duly observes the numerous checks and limits afforded by other branches of the statistics." He employs mathematical constructions of a simple style appropriate to the character of his materials—less perfect than biological and physical statistics. Thus he makes frequent use of "Pareto's law," representing the distribution of incomes. He has employed an interesting method for obtaining a datum required in one of his ingenious investigations on the distribution of income and related subjects. In order to find that amount of rental which makes it an even chance that an occupier of a house of that rental should have an income of £160 or more the author put the question to many official acquaintances, and thus obtained forty "semi-statistical" observations, the grouping of which allows us to accept with confidence the average £28 10s. as the required figure. We notice that in the problem of determining the relation between income and house-rental Mr. Stamp has derived much assistance from the unpublished statistics of his friend Mr. Cowcher. We hope that these tantalising statistics will not remain unpublished.

The logic of statistics is applied by Mr. Stamp to economic and social problems, in conjunction with other powers; the organon of economic theory, and the speculative instrument of greater delicacy which is required for adjusting the burden of taxation, considered not merely as an arithmetical problem, but, as Mill says, having regard to the "wants and feelings" of the tax-payer. Thus, in order to determine the taxable capacity of Ireland, one of the problems treated by Mr. Stamp, the first step is to ascertain the ratio between the respective national incomes of Great Britain and Ireland regarded as numerical quantities. Mr. Stamp's scrutiny of the relevant income-tax statistics brings to light the surprising circumstance that advocates on the side of Ireland have under-rated her claims. They have used the gross assessments, the total incomes reviewed for the two countries as data for the determination of the required ratio; not noticing that the proportion of (gross) Schedule A (and B) bears a much higher ratio to the total in Great Britain than it does in Ireland, and that this difference is significant because Schedules A, B include the *whole* gross income from land and property, while in the other schedules the *exempt* income for the most part does not figure. Making the required correction, Mr. Stamp finds that the ratio which Professor Oldham, on the basis of the gross figures, gives as 25 to 1 ought to be, in respect of this correction, 29 to 1. But this is not the only correction required. A more serious mis-

take has been committed (with respect to the older figures) in treating the assessments in Schedule B as representing *incomes* instead of annual values representing three times the taxable incomes. But even if we could ascertain the true proportion between incomes we should still be far from having determined the contribution which may properly be demanded from Ireland. What alleviation is required by the circumstance that a large portion of the Irish rental—one-third, according to Lord Milner—goes to England, and that another large fraction of the annual value of Irish land goes as interest to the Treasury or to English lenders? Mr. Stamp argues ingeniously that this circumstance would make no difference if the whole revenue were raised by the income-tax. But so far as the revenue is not raised by income-tax, or other taxes *shiftable to absentee consumers*, the drain must be allowed for in judging of the taxable capacity of Ireland. A more speculative question is raised when it is contended on the one side that the Irish surplus above the minimum of subsistence is less, and on the other side that the minimum required for subsistence and efficiency in Ireland is less than the corresponding amounts for Great Britain. Mr. Stamp, after weighing the arguments of Giffen and Sidgwick, Sir C. Hamilton and Professor Bastable, concludes: "For my own part I think that although the adjustment [made by Giffen and others in favour of Ireland] may be criticised, they contain a much smaller net error than the unadjusted figures and give a closer approximation to the truth." A cognate difficulty is raised by the question: What weight is to be attached to the circumstance that a larger proportion of the Irish taxable income is made up of small incomes, which, according to the existing system of abatements, are taxed at a lower rate? Mr. Stamp well says "it is a mathematical corollary from the marginal and progressive principles that the capacity of wide extremes is greater than that of [a set of incomes with] the same average distributed more evenly." He proposes as the best method of giving effect to this principle "to divide the total gross assessed income by the total duty paid in respect of it and obtain a factor which will be low if there are many rich people and high if there are not." The reciprocal is then to be used as a multiplier for the totals (after they have undergone a certain adjustment).

Statistical methods principally are required for another of the problems discussed, to determine the value of land over a period of years. In bringing under our notice the extremely discrepant estimates of site value made by good authorities our author may

have had in view the speculative difficulties connected with the subject which he has considered in his article on Land Values and other articles in the ECONOMIC JOURNAL.

*National Capital* would require only statistical methods for the measurement of its amount if capital consisted only of material objects, business fittings, machinery, or—with reference to the classes who do not pay income-tax—workmen's tools or costermongers' carts. And we are still in the region of objective statistics while we follow Mr. Stamp's acute disquisition on the "multiplier" proper to discover the total amount of property from the statistics of the estate duty. But what are we to say about the variation in the capital value of objects corresponding to changes in the rate of interest? In what sense has the value [of land] diminished from 2,000 millions in the 'seventies to perhaps a 1,000 millions at the present time? The "Giffen method" does not take into account prospective increase of productivity; as pointed out by our author in the *Journal of the Royal Statistical Society* last year. Again, the Giffen method does not take account of non tangible wealth, personal capital invested in doctors, teachers, and preachers. "A very real step forward in the national wellbeing may take place while the Giffen measurement is stationary." Then there is the value of *living capital*, estimated as some five times the value of dead capital by Professor Nicholson in a well-known article in the ECONOMIC JOURNAL for 1891 (on "Living Capital," not on "Strikes and Social Problems," as misprinted in the work before us). Mr. Stamp's comment on these refinements is characteristic. "Except as a warning that the Giffen valuation cannot give the full story of national welfare, these considerations of an ultimate character are of doubtful value in relation to the practical aims of that valuation, because they complicate and diffuse the ordinary issues."

So with respect to the "National Income" he seems to consider that the figures representing exchange value are "sufficiently stable and homogeneous. . . . for all ordinary purposes"; while fully admitting the justice of Dr. Bowley's remark as to the difficulty of attaching a perfectly definite meaning to the term "total national income." As Mr. Stamp points out, "the marginal significance of £1 to a rich man is different from what it is to a poor man; therefore, it is fallacious to say that a service that is rendered only to rich men is equal to and exchangeable for a service that is rendered only to poor men, simply because each costs £1 in money." Very felicitous is Mr. Stamp's reply to the common objection that "when a rich man with £20,000 a

year employs a secretary at £500, and the secretary employs a gardener at £50, it is fallacious to reckon the aggregate income at £20,550." But, replies Mr. Stamp, "the services of all three *exist* and are measured in money terms at these values. One might as reasonably say that there is only one Japanese box because all the smaller ones fit inside it one within the other." The part played by usage and convention in settling the denotation of the term "income" is thus happily illustrated: "We do not regard the 'annual value' of our furniture as part of our incomes, but if it were a general custom to hire furniture by the year . . . we should probably look at the matter differently. . . . If A at Reading lets his furnished house to B from Brighton, and takes a furnished house from C at Torquay, who in turn lives in B's house, the real position is not changed, and yet the taxed incomes go up by three rentals of furniture!" The passage recalls the acute remark made on an earlier page (p. 84), that one who rents a park or "beauty farm," which yields no produce beyond the satisfaction of looking at it, pays an income-tax under Schedule B, which is not a tax on profits, but akin to a carriage licence—a unique feature in the income-tax.

Such subtlety of thought is not often associated with a mastery of the details of office.

F. Y. EDGEWORTH

## REVIEWS

*Reflections on Violence.* By GEORGES SOREL. Translated with an Introduction and Bibliography by T. R. E. Hulme. Pp. xvi., 299. (London: George Allen and Unwin. Cash price in Great Britain 7s. 6d.)

THIS is not a book that one would naturally expect to find exposed in what M. Sorel would call the "drawing-rooms" of economists—or for the matter of that in any well-regulated drawing-room. Economists may indeed be expected to take a more or less detached interest in a book that might be supposed to elucidate the aims and methods of Syndicalism; but though the work before us is acclaimed by its sponsors as "*the classic of Syndicalism*," it could hardly be described as a guide to Syndicalism—except on the view that Syndicalists have builded better than they knew. It is a philosophical interpretation of the Syndicalist movement, and, as we all know, the result of philosophical interpretations is not always recognised by those that are interpreted. M. Sorel does indeed concentrate attention on some of the more distinctive ideas of Syndicalism—the idea, for example, of the class-war, and of direct as opposed to parliamentary action, as also (if more incidentally) on the significance of the approach to Socialism from the side of the producer. But the idea which really attracts our author—and the idea around which he groups all the salient phenomena of Syndicalism—is the significance of proletarian violence, which, while it is the clearest manifestation of the class-war, is itself most clearly manifested in the idea of the general strike. The result is that these "Reflections" have a somewhat wide and indefinite range, being concerned quite generally with the "function" of violence as an (or even the) ethical agent in progress. For to M. Sorel violence is good, both as an end and as a means: violence is at once the condition and the essence of the higher morality or "the sublime in ethics." This sublimation of violence as a kind of moral tonic and renewer



of "lost energies" (of which M. Sorel would find in these years of shock a rather nearer instance at hand) raises questions which would carry us rather far afield into the domains of psychology and ethics, of religion and philosophy: and this is hardly the occasion for such an attractive excursion. It is not, of course, the first time that the cleansing and invigorating powers of war have been contrasted with the corruption and torpor of peace, or that metaphors from warfare have served as the vehicle of moral parables: what is peculiar to M. Sorel is the new or at any rate rather unfamiliar setting which he gives to the idea of violence—the spiritual affinities, for instance, which he finds between proletarian violence and the philosophy both of Proudhon (whom he rather closely resembles) and of Bergson. But M. Sorel is equally notable for the violence he himself does to analogies. It may be said, indeed, of him what he himself says in a particular context of Renan—he seems to have "identified too readily" morality and war and "fallen a victim to a figure of speech"—to such an extent indeed that an element of truth becomes distorted into an untruth, into a falsity of extremes. On the other hand, the discerning reader will be able to sift the grain from the chaff (it is emphatically not a book for the young), and may then find that M. Sorel's polemic against "moderation" and "compromise," "arbitration" and "opportunism," has more than a negative value; that his argument, stripped of the extravagance of its trappings, has a really arresting and illuminating quality; and that in any case it has the rare and supreme merit of forcing the reader to think—and to think furiously. His book is at once original and thought-provoking.

But we are here concerned with the economic setting (or rather foundation) of the doctrine. To do justice to it, we must discount—rather heavily—the disorderliness, not only of the language (in a parliamentary sense), but of the method. M. Sorel has only one argument for an opponent, and that is a bludgeon. But there is probably a method in what might otherwise be dismissed as mere literary sabotage. The whole argument consists in an inversion (if not perversion) of ordinary values: democracy, for instance, is regarded as nothing more nor better than the happy hunting-ground of jobbers and place-hunters, and it is a part of his case that politicians should be represented as *ex vi termini*, not only so many fools, but so many knaves. It would seem as if he who preaches violence must himself be violent; and M. Sorel is not singular in his capacity to confound the essence of democracy with the abuse of it. Nor will

the ordinary reader be inclined to have much patience with the nature and method of the argument itself. This way, he will think, madness lies; but if he perseveres he will not only be rewarded with *aperçus* of genuine penetration, but will discover that there is a method in the madness. There are many strands in the author's philosophy of violence, and much of the plausibility of the argument is derived from the fact that the term itself is so imperfectly analysed that it is made to cover a rather motley multitude of spiritual affinities. But regarded as a philosophy of Syndicalism its thesis may be reduced to the proposition that the essential doctrine of Marx can only be fulfilled through the idea of the general strike. The destruction of Capitalism will not come about by itself as by some kind of inner necessity: it can only come about by the class-war carried to the fullest pitch of intensity and self-consciousness. Capital and Labour must raise their offensives to their highest power, and must appear as irreconcilable forces preparing for a final and catastrophic collision. In this lies the significance of proletarian violence: its peculiar value (quite apart from its high ethical quality) consists in the fact that it enlightens the idea of class warfare just as it is in its turn enlightened by the idea of a general strike—this being\* the form in which it is fully and finally consummated. Hence it is that the idea of a general strike has all the revealing and compelling power of an apocalyptic vision—of a second coming. In the well-known language of the author it is of the nature of a "myth in which Socialism is wholly comprised—i.e., a body of images capable of evoking instinctively all the sentiments which correspond to the different manifestations of the war undertaken by Socialism against modern society." And the educative value of this particular myth lies in its demonstration of the fact that this world can only be taken by violence, and that the way of "social peace" is paved only with good intentions at the best.

If we ask M. Sorel what kind of society the workers will put in the place of the State and of Capitalism, or how violence is as fitted to create as to destroy, he replies: "from this point of view all the old abstract dissertations on the Socialist *régime* of the future become useless: we pass to the domain of real history, to the interpretation of facts—to ethical valuations of the revolutionary movement: and it is to violence Socialism owes those high ethical values, by means of which it brings salvation to the modern world." M. Sorel has, in fact, a new beatitude—blessed are the violent for they shall inherit the earth—and his criticism of contemporary Socialism is in effect that it is not violent enough.

It would really seem in the end that M. Sorel's whole philosophy (or religion) of violence lies in a confusion or mixture of values. He is continually passing from a popular to an unpopular and even esoteric use of the conception; and it is only in this way that he can regard violence as having in itself a creative value. It is to M. Sorel a real energy of the soul, "a striving after perfection," an assertion of individuality; and so we find him insisting on "the great resemblances between the sentiments aroused by the idea of the general strike and those which are necessary to bring about a continued progress in methods of production." He attributes to violence, in fact, the rôle of what Keats calls "making souls"; it constitutes indeed "the soul of the revolutionary proletariat," but it is a soul which is also fitted by revolutionary Syndicalism—the greatest educative force that society has at its disposal—to carry out an "industrial revolution."

"There is only one force that can produce to-day that enthusiasm without whose co-operation no morality is possible, and that is the force resulting from the propaganda in favour of a general strike. The preceding explanations have shown that the idea of the general strike (constantly rejuvenated by the feelings roused by proletarian violence) produces an entirely epic state of mind, and at the same time bends all the energies of the mind to that condition necessary to the realisation of a workshop carried on by free men, eagerly seeking the betterment of industry. . . . We have, then, the right to maintain that the modern world possesses that prime mover which is necessary to the creation of the ethics of the producers."

This is perhaps the most significant passage in which M. Sorel attempts to establish a new economic harmony (out of discord): it has the merit if it also has the defect of the older ones. We may well ask why and how "violence" (which is also called "brutality") has this effect. And the answer must be because it is not merely violence. The truth is that M. Sorel makes little or no attempt to analyse the nature of violence or of "war." That there is a truth in his doctrine—and a truth of more than negative value—is undoubted; but the argument is vitiated by the confusion of a part of the truth (even if it may be the part that is in most danger of neglect) with a whole truth. His "Reflections" have the defect, if they also have the merit, of one-sided emphasis: as a protest against facile optimism and the false prophets who cry peace where there is no peace, they go far to justify the pessimistic conception "on which the whole of the study rests." M. Sorel's book is a challenge of an unusually uncompromising kind to much in our modern thoughts and practice that seems to have become divorced from realities. On the

other hand, one abstraction cannot be corrected merely by the substitution of another. It is a synthesis of the extremes that we miss in these Reflections on Violence ; but this need not affect our appreciation of the extreme which M. Sorel has given us—and in such full and exuberant measure.

SIDNEY BALL

*International Finance.* By HARTLEY WITHERS. (Smith, Elder and Co. 1915. Pp. viii+181. 3s 6d. net.)

MR. HARTLEY WITHERS fills now, for the advantage of the general public, the rôle immortalised by Pegasus. With a similar rare aptitude for telling phrase and arresting epigram, these two writers have known how to express a close acquaintance with the practice, and acute appreciation of the theory, of the "money-market" in perspicuous speech. Technicalities become attractive and intelligible when handled by such masters ; and so easy and convincing seems their agreeable explanation that readers end with some surprise that in their first approach towards this subject they should have been dismayed by difficulty or checked by doubt. And yet "what the City really does" and "why it is the centre of the world's Money Market" do not cease to form a marvellous and intricate narrative ; and, in spite of Mr. Withers' frank apology for traversing in his last book "a good deal of ground covered in earlier efforts to throw light on the machinery of money and the Stock Exchange," we feel that repetition, in this case, does not forfeit the charm of freshness, and that much of what he says here once again, with such lucidity and force, can hardly be over-emphasised.

The few chapters of this short book offer a tempting opportunity for laudatory comment ; and we are not disposed to criticise the author for his cheering optimism on the future prospects of his country in the sphere of international finance, or to deprecate the buoyant adroitness with which he removes black paint from the received description of financiers. He is not indeed blind to the chance now opened to the United States by the predicament of belligerent European countries for financing enterprise, especially in South America, which was previously dependent, chiefly upon England, for its capital. Nor does he fail to acknowledge those evil possibilities of international finance to which a special chapter is devoted. But, nevertheless, he maintains emphatically that finance is "a very much cleaner affair than either law or politics" ; he argues that financiers are as a rule human, not inhuman, persons, averse to wars, from which they are less likely to derive

benefit than harm, and he contends that in the majority of instances the admitted power of great issuing houses, underwriting foreign loans, is accompanied by a strict regard for the maintenance of their acquired repute where that is possible. Similarly, he believes that recovery from the destruction of the war on the European continent may very probably be swift; and he hopes that, if due attention be paid to the imperative need of appropriate economy in other ways, the immense war expenditure of England, and her concentration on the output of munitions, will not dethrone the London Money Market from its past supremacy. It is, as he urges, a good and not a bad result that neutral countries should be forced at the moment to curtail their former demands, so freely met, for unlimited capital, and should become creditors rather than debtors; and the use of the bill on London as international currency rests fundamentally, he conceives, on the diffusion and extent of English trade.

In such a revelation of the nature and significance of the foreign exchanges as centred hitherto in London, and in his account of the "rotatory" manner in which advances by the Bank of England are generally reflected in corresponding alterations in the figures of its deposits, and the danger of an internal crisis is thereby minimised or removed, Mr. Withers reinforces in this book some pertinent truths he has discovered and presented previously. But we do not think that in his earlier essays he has exposed so instructively and conclusively as now the fallacies of the socialistic onslaught upon capital. As he argues, the need for capital would not depart with the substitution of a socialist *régime*. But the State would, if it is to continue to exist, have no alternative to the exercise of a compulsion upon all its members to be capitalists. Aristotle's ideal, in fact, of individual possession accompanied by common use is realised in the present economic order through our modern banking system. Investment, or saving, is not, in the civilised countries of the present day, the antithesis of spending; but the control of expenditure passes thereby in effect for the time into the hands of those who, using the funds placed at their disposal more commonly for internal than international business, promote the general trading and manufacturing activity of the community at large. International finance brings also a balance of advantage to the world. By thus visualising the wonder-working machinery of the Money Market Mr. Withers conveys to his contemporaries such enlightening and heartening doctrine as that which Bagehot rendered incontestable to his own generation. He exhibits, too, in his reasoning, we may

add, that admirable quality of "animated moderation," which, in a characteristic epigram, his predecessor and exemplar assigned, as their distinctive possession, to typical Englishmen.

L. L. PRICE

*Foreign Exchange and Foreign Bills in Theory and in Practice.*

By WILLIAM F. SPALDING. Pp. 215 + xii. (Sir Isaac Pitman and Sons. 5s. net.)

MR. SPALDING knows much more about the actualities of dealing in exchange than ninety-nine out of a hundred of those who have written about it, and his book is a mine of information for those who want to know about these actualities, and bring to its perusal knowledge enough to enable them to understand it. This latter condition is lamentably relevant, for like so many others who have practical knowledge, Mr. Spalding has not yet arrived at the degree of expository skill which is required to enable him to spread a feast digestible by the uninstructed stomach. Some day, we may hope, he will do so, and then he will write one of the best, if not the very best, book ever written about Foreign Exchange. He believes now, apparently, that he is writing for the person whom he describes as "that illusive friend of the politicians—the man in the street"; and he promises that "throughout this book the author imagines himself in the position of the person with no previous knowledge of the subject," and that "every effort is made to demonstrate the various divisions step by step in a manner capable of being understood by the veriest tyro." Probably the tyro of to-day is a person of much greater acumen than we old fogies are ready to believe, but even so I fear that not many specimens of the genus, with Mr. Spalding's book as their only mentor, could blast their way successfully into the rich mine that it contains.

In the first place, Mr. Spalding, suffering from that stock of complete knowledge of his subject which is so dangerous to the inexperienced instructor, forgets that the man in the street does not know what a bill of exchange is. The nearest approach to an explanation or definition, in the early pages of the book, is a statement that "the first essential in any form of international currency is that it shall be convertible into the money of the country to which we send it, at the will of the holder. The instrument above all others endowed with this quality is the bill of exchange, under which generic term are included demand drafts, cheques and bills of exchange

payable at so many days after sight or date." The tyro is left gasping, and now wondering, not only what a bill of exchange is, but what is meant by a demand draft and a cheque, not to mention the mystery of "sight or date." It is true that on an earlier page Mr. Spalding has advised his readers to "regard bills of exchange as representing a definite commodity—a debt." But this does not go far to enlighten the ignorant inquirer, and may indeed be questioned as a slightly misleading statement, since until a bill has been accepted it is a claim on a debtor rather than an acknowledged debt.

From other passages it appears that Mr. Spalding is so familiar, from daily intercourse, with his subject matter that the need for thinking it out clearly, before it can be expounded to others, has not occurred to him. In dealing with the exchange relations between England and Australia he tells us that "we find the Australian exchange to be governed by seasonal influences, of which the principal are the wool and grain exports. The wool season commences in October and lasts until February; grain exports also continue for about the same period, and arising from this activity in the export trade, there will be a heavy influx of money into London represented by bills of exchange. In this case the Australian banks here have a plethora of funds." Faced by these statements a conscientious tyro might well be excused for despairing, and would certainly be justified in being wholly bewildered. In the first place he is not told which of the two countries concerned is the exporter. Probably he will know that it is Australia, but those who write for tyros are apt to mislead them if they expect them to know anything. But what will baffle an ignorant student most hopelessly is the discovery that in consequence of the large export of goods from Australia to England "there will be a heavy influx of money into London, represented by bills of exchange." Any student will know that if he buys a large quantity of goods the result is not a large influx of money into his purse, and he will wonder how it can be that oversea trade has so different an effect and is so comfortable for the purchaser; and it is likely enough that he will come to the conclusion that he must have been wrong about Australian trade, and that England must have been the exporter after all. This "influx of money" is not, of course, money at all in the sense in which it will probably be understood by the tyro, but claims for money. Their influx makes no difference to the volume of money in London, unless it leads to gold shipments, and so reduces it. They are claims on the importing merchants, which being pre-

sented and honoured, lead to a transfer of money from them, or their bankers, to the Australian banks in London, who will hold it here until they sell drafts against it in Australia or buy drafts on Australia with it here, or buy gold with it here for shipment, or otherwise dispose of it. These bills are no more money than the tradesmen's bills which we get at Christmas time are money. From the tradesmen's point of view the latter are money, in the sense that they are hoped to be going to produce some from us; from ours they are demands for money, and so are the wool and wheat bills that come from Australia to London, from the point of view of London.

If the student can get over these stiff fences in the earlier chapters he will find in the last quarter of the book a good deal of explanation of the various kinds of bills that will go far to clear up his mystification. The book is full of useful and interesting information for those who can understand it, and when Mr. Spalding has once realised how very obscure and difficult to the lay reader is the subject of which his mastery is so complete he will easily, by reforming his methods of arrangement, and giving more attention to clearness of thought and expression, take his right place as an exponent of the mysteries of exchange.

HARTLEY WITHERS

*Elements of Foreign Exchange.* A Foreign Exchange Primer, by FRANKLIN ESCHER, Special Lecturer on Foreign Exchange at New York University. Fifth Edition. Pp. 160. (Effingham Wilson. 4s. net.)

MR. FRANKLIN ESCHER is a practised and skilful expositor, and his primer of exchange is already well-known as one of the clearest and best. In welcoming the fifth edition of this excellent little book, I can only express regret on finding that it was a mere reprint, since Mr. Escher's views on the exchange problems produced by the war would have been timely and instructive. Perhaps the next edition will contain them. Let us also hope that it will contain an index, the lack of which in such a work is really a crime.

HARTLEY WITHERS

*Foreign Exchange: A Study of the Exchange Mechanism of Commerce.* By HARRY GUNNISON BROWN. (New York: The Macmillan Company. Pp. x+153.)

NEW light on the problems of foreign exchange is always welcome, and Mr. Brown's contribution to the subject is a care-  
No. 103.—VOL. XXVI. A A



ful piece of work. It is, however, rather too abstract and theoretical to be a useful guide to the uninstructed student, and to the economic expert it does not furnish much novel information. It opens with an explanation of the use of money and credit which does not break any new ground in this oft-ploughed field, and the succeeding description of the machinery of exchange is largely based, with full and due acknowledgment, on Mr. Franklin Escher's exposition of the same subject in his "Elements of Foreign Exchange." It cannot be said that Mr. Brown's effort is by any means an improvement on Mr. Escher's. The latter is much simpler, more practical, and, above all, more readable and comprehensible, and the net result of Mr. Brown's version is to produce an academic and *doctrinaire* atmosphere in a picture which the earlier artist had left full of dry light.

In his preface Mr. Brown claims that "in the last chapter emphasis is placed on the fact, ordinarily passed without mention, that whatever may be the relation or non-relation of the currency of a country to the currencies of other countries, its trade with them cannot all be either an export or an import trade for any great while without introducing a tendency to a reverse flow or equilibrium." It certainly is not usual to discuss what would happen to a country which did nothing but sell to, or nothing but buy from, other countries, because these things do not happen, and if they did they would certainly and obviously stop sooner or later—which seems to be the meaning of Mr. Brown's discovery. But it has been said often enough that a favourable or unfavourable exchange tends to correct itself by stimulating imports and discouraging exports and *vice versa*, and this is the actual and practical truth that Mr. Brown has distorted into an academic truism. If it takes 25f. 30c. to make a pound, English merchants will be less eager to sell goods to France than when they can get a pound in exchange for 25f. 12c., while French merchants will be eager to turn goods into sovereigns, and then turn each sovereign into 25f. 30c. But this is mere *crambe repitita* of the text-books.

HARTLEY WITHERS

*International Trade.* By H. G. BROWN. (New York: The Macmillan Co. Pp. 193.)

THIS book is a republication of Part II. of the author's "International Trade and Exchange," the first part having dealt with Foreign Exchanges. The present volume is almost entirely concerned with the question of Protection, which the author attacks

on the traditional lines of English abstract economists. The book gives very careful and painstaking analyses of the interactions of protective duties, carrying out more thoroughly than J. S. Mill succeeded in doing the examination of the problem of gains and losses from protective tariffs, something after the manner of Professor Edgeworth's articles in the *ECONOMIC JOURNAL*, Vol. IV., but without the aid of diagrams. On the whole, the analysis, as far as it goes, seems good, but the author deals rather inadequately with the case of "increasing returns," including the particular case of "infant industries." In the discussion of the less complex but still difficult problems of industries with increasing cost, or decreasing returns, the author appears to omit the important fact that the revenue which the protecting country obtains is not lost to that country. At least, this point is not clearly examined and its bearing on the balance of gain and loss pointed out.

The arithmetical method of illustration which is used does not, in fact, lend itself to a really exhaustive treatment of these intricacies, more especially when the author tries to take account of the advantage in the rate of exchange of home for foreign goods resulting from a protective tax on part only of the imports.

There is altogether a very decided "before the war" atmosphere about this book, which evidently was written in the main both before the war and for American readers. It is flattering to find English Free Trade so thoroughly recommended, but it is to be feared that readers in this country may, perhaps unjustly, be prejudiced against a book which gives so little attention to the political and military considerations which circumstances have now thrust into prominence. Such discussions as those of this book are at least, however, the necessary preliminary to any proper understanding of tariff questions, and it may be recommended to those who wish to think things out clearly, with a caution against assuming that the last word has been said on the problems, even from the purely abstract point of view.

To examine the problems dealt with in a satisfactory manner would involve the writing of a long article at least. One or two points may be suggested, however, in regard to which correction might be looked for in any subsequent edition. In the chapter on "The Effects of Protection on the Distribution of Wealth among Economic Classes and Territorial Sections," the author does not seem sufficiently to recognise that there may be genuine cases in which the nature of the imports may be to a large degree of a kind which are predominantly competitive from the point of view

of the working classes, and the advantages of cheapness may be predominantly obtained by the wealthier classes. The working man's argument that foreign goods produced by cheap labour may compete with him and tend to reduce his wages, just as if the foreign labourer himself came into the country, may be exaggerated, but it is not to be too easily dismissed, on the ground that to some extent the working man himself is a purchaser of imported goods.

The chapter on "Encouragement of Transportation" (going somewhat outside of International Trade) does not recognise all that can be said in favour of expenditure by the Government on improvement of waterways and harbours at the national expense, or in assisting the construction of railways. It may be not always practicable to make those who benefit pay the cost where the benefit is of a somewhat diffused type, or obtainable only after many years. Still, one may agree with the author in deprecating the mere expenditure of public money for "developing" channels of traffic without any serious attempt to weigh the benefit against the cost.

C. F. BICKERDIKE

*Transportation Rates and their Regulation.* By H. G. BROWN.  
(New York : The Macmillan Co. Pp. 347. 6s. 6d. net.)

THIS is a handy volume dealing with the theory of railway rates and containing chapters summarising conveniently leading cases decided by the Interstate Commerce Commission and commenting on the principles involved. Granted that one accepts the fundamental assumptions which the author makes, the conclusions seem on the whole reasonable and tolerably consistent. There seems to be a general assumption, perhaps almost inevitable in American writers, that the normal state of a railway is one in which the line is not so fully utilised that there is not advantage for the railway in obtaining more traffic at some price which will cover the more obvious direct costs. If we start with such railways assumed to be in existence and simply consider on what principles rates should be fixed, having regard to the interests of the whole of the systems and of the public, there is no escaping the conclusion that, on the one hand, anything like uniformity of rates on a cost basis is undesirable, and, on the other hand, that some restriction of the free competition and self-interest of the competing companies is desirable; but no simple and easily applied system of rules can be laid down. That is substantially the position taken up by the Interstate Commerce

Commission, with whose decisions the author on the whole seems to agree. If a railway from A to C passing through B has to meet water competition in the through traffic only, it is justified in quoting a low rate to get the through traffic, even though it cannot afford to charge an equally low rate for the shorter haul from A to B, if it is assumed that the line is not fully occupied without the through traffic, and that it is not obtaining excessive profits from high charges for the intermediate non-competitive traffic. As the author shows, however, the position is not quite the same if it is a case of competition with another railway line passing by another route from A to C. It may be better that they should be prevented from cutting the rate on the through competitive traffic, because to divert the traffic from the one line to the other may be no economy if both lines already exist, whereas diversion of traffic from a water route may be assumed to mean real saving of all the costs. If both lines continue to share the traffic, but at a very low rate, the industries of the competitive points are favoured at the expense of the non-competitive points, with a resulting waste through capricious distribution of industries. Ships can be moved to some other place, or not built, and the advantage of the cheap waterway is really inevitable and does not cost anything. It would have been more satisfactory if the author had discussed this question more fully on the assumption that the railways are not assumed to be already there, but are things which are in a constant state of growth, and which can be constructed for varying volumes of traffic.

On that assumption, is there such an important difference between competition with water traffic and competition with another railway? Perhaps there is, but the point seems to require more investigation than is given to it.

It is natural that the author, with his outlook, does not give much attention to the question why more should be charged for carrying valuable goods, like copper, than for carrying similar weights or a similar bulk of less valuable goods. "The desirability of utilising transportation plant as completely as possible may justify a lower rate on the product of one industry than on the product of another, even though the special and additional cost incidental to carrying them is the same for both. For the one kind of goods may require a low rate in order that it may be carried at all for any great distances, while the other kind may be able to pay a higher rate" (p. 165). This argument is apparently taken to be unassailable, without reference to the question whether it would not have been more economical not to build

the railway in such a way as to have permanent capital in excess of what can be utilised at rates which would make all traffic contribute towards the interest on it. There is probably a good answer to this, however. It may be that in a growing and half-developed country like the United States railways are rightly built ahead of requirements, and, apart from the question of growth, it may be that railway transportation is an industry in which, for physical reasons, the expenses diminish normally with increase of traffic. That is a point, however, which in Europe cannot be so readily taken for granted, and it has an important bearing on the theory of rate regulation. Is not more examination required, even in the United States, into the question whether increased traffic does not now, on the whole, result in something like proportionate increase of all expenses, including fixed capital? Any particular small or moderate increase of traffic may seem, at any moment, to be desirable from the company's point of view if it will afford anything above the most obvious direct expenses; but is it not a fallacy for railway companies to act constantly on this supposition? It may be said that that is a point on which practical railwaymen may be left to form their own opinion, and that, in so far as the suggestion is true, self-interest will prevent companies from making anomalous cutting rates. It is questionable, however, whether they are not driven by mere competition into adopting a short-sighted, hand-to-mouth policy which is both damaging to themselves and fruitful in injustice and economic waste for the community in general. It is these fundamental questions at the basis of the whole system of charging "what the traffic will bear" which seem to merit more attention than they receive in this book, and it may be hoped that Professor Brown, whose powers of economic analysis are undoubtedly high, will pursue these matters somewhat further.

C. F. BICKERDIKE

*Economics: An Introduction for the General Reader.* By HENRY CLAY, M.A. (Macmillan and Co., Ltd. Pp. xvi+476. Price 3s. 6d. net.)

IN his Preface Mr. Clay apologises "for adding another to the large number of books that attempt to deal with the whole subject-matter of economics in a single volume."

No apology was needed, for there are few, if any, books which cover the whole ground and are at the same time first-rate; and, apart from a few minor defects to be mentioned later, Mr. Clay

has written a first-rate book, and one covering, at any rate in outline, the whole field of economic inquiry.

As he points out, most existing text-books have been written primarily for "university students" (p. vii), while his book is intended for the "general reader."

By the "general reader" Mr. Clay, we think, means those who are, so to speak, actually *working* the Economic System—i.e., working men and women, employers, and the organisers of industries.

It may, of course, be argued that the truths of economics are the same whether they are presented to university students or to those actually engaged in industry, and this is true; but it is possible to present the same truths in different ways, and the treatment of the subject suitable for the young man fresh from a secondary school, knowing nothing of industry, is quite different from that which should be adopted for the man who has spent ten years of his life in a mine or workshop, or one who has been long occupied in the management and organisation of a large business. The author, therefore, thinking of the general reader as we have defined him, has wisely departed from the presentation of the subject usually adopted in economic text-books.

The first half of the book contains a good deal of descriptive economics and discussions of practical economic problems, into which the more theoretical aspects of the science are skilfully woven. Thus the first eight chapters are largely descriptive and contain a most valuable analysis of the process of production and exchange, particularly of the part played in industry by the employing classes and by capital. Then come three chapters on Money, Banking, Credit, the Level of Prices, and Foreign Exchanges, which are followed by two more containing discussions of practical problems—the Relation of Spending to Saving, Unemployment, Overproduction, etc. The book then follows the more orthodox arrangement, passing on to Value and Distribution, but ending with five chapters which deal with the difficult questions of the relation of Economics to Politics and Ethics.

While Mr. Clay has, we think, rightly departed from the usual arrangement of his subject, the plan he has adopted is, in some respects, open to criticism. The chapters on Value should have come earlier, before those on Money, Banking, and the Foreign Exchanges, for though it is possible for the student to grasp the main features of the industrial system—e.g., business organisa-

tion, etc.—without a knowledge of the theory of value, yet such a knowledge does appear to be essential to a proper grasp of the theory of money and the working of the foreign exchanges. Also, had Chapters XIV. and XV. been placed before Chapter IX., it would have been possible to point to some important applications of the theory of value when dealing with monetary problems, price levels, and the foreign exchanges.

Again, had the chapters on Rent been placed before those on Wages and Profits, a good deal of repetition might have been avoided in the explanation of the “rent” elements in wages and profits.

Perhaps the book might also have been improved had rather less space been given to descriptive economics and rather more to the discussion of practical problems. Four pages on taxation are quite inadequate—the subject should have had a complete chapter. As the book has no index, a very much fuller table of contents should have been supplied, and we should have liked a marginal analysis.

These criticisms, however, are made in no carping spirit, but simply from a desire that the usefulness of so excellent a book may be increased in future editions.

Chapters XVI. and XVII., on Wages, deserve careful reading; they are particularly lucid and highly suggestive. “Any theory,” Mr. Clay thinks, “that attempted to comprehend all the influences on the value of labour in a single formula would be so abstract as to be useless. . . . All we can do—all any theory of wages can do—is to enumerate influences and indicate their relation and importance” (p. 333). One of these “influences,” which we cannot remember to have seen so thoroughly examined elsewhere, is that of the Standard of Life. This, the Standard of Life, the author regards as corresponding “in industrial warfare to the trenches with which a modern army secures its line; it is a defence against attack and a means by which any new advance may be made secure” (p. 328).

Mr. Clay has succeeded admirably in the difficult task of introducing the general reader to the theory of value. He has successfully steered his way between the Marxians and the marginalists, clearly bringing out what is true in both the labour theory and the utility theory, ably criticising the doctrine of Marx, and most lucidly explaining the principle of marginal utility.

Having explained the Economic System as it exists to-day, the author in his last four chapters proceeds to an examination

of "the assumptions upon which it depends for justification. . . . These assumptions seem to be four in number" (p. 395). They are:—(1) the assumption of rational self-interest; (2) the assumption that competition leads to the survival of the fittest; (3) that wealth will usually be associated with social service; (4) that market value is a satisfactory indicator for production to follow. These "assumptions" are in turn adversely and most acutely criticised.

Opinion will differ on the point as to whether the question of the relation of economics to ethics, involving the relation of wealth to welfare, should have been introduced into a book of this kind. There is, however, much to be said for Mr. Clay's plea that "it is impossible to make any practical use of economic studies—to *apply* the conclusions of economic science—without considering what is the relation between wealth in the narrower sense of economic wealth and wealth in the wider sense, which includes all means of welfare" (p. 422). "Study, at any rate economic study, is for action. The immediate object of economic action is wealth, but the ultimate object is welfare, to which wealth is a means" (p. 466). He reminds us "that while we can separate the economic and the ethical aspects of a problem for the purpose of study, in the problem itself they are combined—we cannot separate them for action" (p. 476). Whatever may be thought of this view, few will be found to question the freshness and ability with which the subject is handled.

Mr. Clay is the possessor of a good literary style, and the book is enlivened with flashes of humour such as are rarely to be found in works on economics; he thoroughly understands the needs of the working-class students, and he has a wide knowledge of the details of business organisation, as well as a thorough grasp of the subtleties of economic theory. The book meets a real need.

H. SANDERSON FURNISS

*The Trust Problem.* By E. DANA DURAND, Ph.D., Professor of Statistics in the University of Minnesota, recently Director of the United States Census. Pp. 145. (Cambridge: Harvard University Press, 1915. Price 4s. 6d. net.)

FEW men have so much right to express an opinion on the trust problem as Dr. Dana Durand, for few men have had such opportunities of studying that problem. First, as Secretary of the Industrial Commission of 1898–1902, and afterwards as Director



of the United States Census, he has been in a position to make himself fully acquainted with the development of American industry and to estimate how much that development owes to the principle of combination. We owe him no small debt, therefore, for having put down on paper the results of his experience, and the debt is the greater in that the book itself is short. So much economic work is but the re-threshing of other men's already thrice-threshed grain, that that man is worthy of a special place in the library who confines his writings to original contribution or original criticism. This is the merit of Dr. Durand. And not his only one. Most men have arrived at a placid acquiescence in the trust, at a tame acceptance of monopoly as "the necessary outcome of industrial evolution, and there they are prepared to leave the matter and wait for something to turn up. But now comes Dr. Durand, boldly questioning and still more boldly proposing to "turn back the clock of economic development." That shakes us out of our mental sloth, for Dr. Durand is a man of too assured standing to be knocked over by the mere repetition of a cant phrase of economic controversy.

The object of this book is to discuss trusts and pools which have been "organised primarily in the hope of securing monopolistic control of prices." Dr. Durand does not think that before the trusts were formed destructive competition was causing intolerable losses, and he is convinced "by thorough investigation that several of the trusts have maintained prices, sometimes, for long periods, far above the competitive level. This has been proved true of the oil, steel, sugar, and tobacco trusts." This is the more significant as the trusts have for most of their existence been operating under the ban of the law. To prohibit the excesses of "unfair competition," or to deprive the trusts of the advantages of "natural monopoly" is not easy, and it is never possible to say how far any individual trust depends upon unfair advantages or natural or legal privileges. Such experience as we possess warns us that to draw the teeth of a combination and then trust to *laissez-faire* would be the height of unwisdom. We must either prohibit or regulate.

Dr. Durand then essays to prove that it is possible for the Government to break up existing combinations and prevent the formation of others. He is not enamoured of the methods followed in the cases of the Standard Oil Company, the Northern Securities Company, and the American Tobacco Company. "This method of dissolving trusts—by leaving the ownership of all the constituent parts to the same persons that owned the former con-

trolling corporation—can hardly be characterised by any other word than farcical.” But his hope springs eternal. “There would be no insuperable difficulty in adopting a more effective method of dissolving such closely-knit trusts. The stockholders of the controlling corporation could be required to apportion the securities or properties held by it among themselves in such a way that no one should have an interest in more than a single part. Such a method of dissolution might not immediately restore competition, but it would at least render competition possible and ultimately probable. Of course, the procedure suggested would not be altogether easy.” To prevent new combinations involves “no serious difficulty.” Voluntary agreements not to compete are more difficult to deal with, but Dr. Durand comforts himself with the reflection that competition is not really destructive, that monopoly is not inevitable, that over a vast sphere of industry competition is more natural than combination, and that offenders against the trust law have not yet been treated as criminals, so that there is a weapon in reserve.

On the other hand, Dr. Durand finds that the difficulties of governmental regulation of trusts are “exceedingly great,” and naturally some of the arguments which he uses are contradictory of some of those he employs in favour of prohibition. “The policy of permitting trusts to exist might result in the extension of trusts over almost the entire field of industry. It might also result in practically complete monopolisation by each trust of its particular field. The determination of costs and of investment as a basis for the fixing of prices and profits over the multifarious field of industry would require immensely elaborate investigations and would involve extraordinarily difficult questions of judgment. Proper adjustment to the ever-varying conditions of demand would be almost impossible. A vast governmental machinery for fixing prices and profits would have to be superimposed upon the machinery of private business. Government ownership on a vast scale, or even complete Socialism, might readily be the outcome of this policy.”

Ultimately we come down to the alleged advantages and disadvantages of trusts, and here, as we know, nearly everything that has been said on both sides is true, and has been equally supported by unsound *à priori* reasoning. Dr. Durand reflects that all the real advantages can be secured by trusts “not powerful enough to threaten monopoly.” Inevitably there rises to one’s memory the copybook maxim about withstanding beginnings and Mr. Easy’s maidservant’s defence of her baby.

Summing up, Dr. Durand concludes:—"To pass from a *régime* of competition to one of monopoly is easy. To return from a *régime* of monopoly to one of competition is immensely difficult. The American people have not yet tried out fully the possibilities of competitive industry. It would be foolish to abandon the experiment thus early in our national development. If we destroy as far as possible the trusts that now exist, if we prevent trusts and combinations from being formed, we should soon see whether it is possible to secure real competition, and whether under competition efficiency can reach a high point. If not we can readily enough change our policy. On the other hand, to accept the trusts to-day is to leap in the dark." It is an original view of American economic history and a lighthearted way of regarding a new—because legal—industrial revolution. But one hardly sees Congress letting Dr. Durand play Medea to American industry even in order to renew in it the virtues of youth.

HENRY W. MACROSTY

*Industrial Leadership.* By H. L. GANTT. (Yale University Press, 1916. Pp. xii+128. Price \$1 net.)

*Some Problems in Market Distribution.* By A. W. SHAW. (Harvard University Press, 1915. Pp. 119.)

"INDUSTRIAL Leadership" is a series of lectures delivered to the Sheffield Scientific School at Yale urging the training of industrial leaders in the engineering schools on scientific management lines; "Some Problems in Market Distribution" is an attempt to prepare the way for an extension of scientific management from the production to the marketing of goods. Both books exhibit the hold that the idea and practice of scientific management has obtained on the American's broad business imagination.

Mr. Gantt devotes three out of his five lectures to an exposition of this alluring system. Its general principle is "the substitution of the scientific method of determining what can be done as a basis for action, instead of records of what had been done or opinion of what can be done." This principle is applied in eliminating unnecessary operations, improving the method of necessary operations, setting a time for their performance, and teaching and inducing the workman to follow these instructions by payment of a bonus when the "task" set is performed.

These measures have been subjected to a good deal of criticism from Labour, and also from the American Universities, but Mr. Gantt does not seem to have modified his position one iota. Yet

this complacency is hardly justified even from that objective scientific point of view that Mr. Gantt himself so much prefers to "debating society" methods. Mr. Gantt tells us, for instance, that "as a matter of fact *doing absolutely nothing*<sup>1</sup> is quite as tiring as working very hard." On what evidence is this astounding statement based? The preceding sentence reads, "many bonus workers have expressed themselves as being less tired at the end of the day when working on Task work than they were before Task work was started, and when they were doing much less work." None should know better than Mr. Gantt that the question of industrial fatigue is enormously complicated and that its solution lies not in what some workers *say* they *feel*, but in carefully compiled statistics of the actual events of the factory, such as output, accidents, proportion of work spoilt. We recommend to Mr. Gantt's attention the report on Fatigue from the Economic Standpoint in the proceedings of the British Association for 1915.

Mr. Gantt's thoroughly debating society treatment of fatigue is not merely a typical example of methodological limitations, it is of fundamental importance in considering whether in its results scientific management is to increase or to decrease the sum of human health and enjoyment.

It is bad enough that Mr. Gantt never mentions the enforcement of any pauses or shorter hours in compensation for the scientific plan of eliminating the factory delays by which the worker benefited or the rests he used to take voluntarily in the course of his work. But Mr. Gantt proceeds to tell us that "one of the greatest benefits of the Task system is that, when properly operated it trains workers to keep their minds on what they are doing. A disclosure of this fact often brings the protest that too close attention to a job is detrimental to the health of the operative. The reply is that close attention is not nearly so tiring as trying to do something the mind is not on, which under the usual conditions is too often the case."

On what evidence does Mr. Gantt frame this reply? The evidence collected by the British Association goes dead against him. A diminution of output in the course of the spell, presumably marking fatigue, was found to take place in all work requiring attention such as soldering or labelling of tins, but not to take place in automatic work like pressing tins, where the mind could be absent. Until Mr. Gantt and his colleagues extend their researches further we cannot predict with him so great a

<sup>1</sup> The italics are the author's, p. 81.

change from the "general policy of the past—to drive," that "the policy of the future will be to teach and to lead, to the advantage of all concerned."

Of the possibilities of Mr. Shaw's subject, English readers may have gained some inkling through Mr. Selfridge's *Callesthenes*. But the long-suffering public may agree with the "notion" which, to quote Mr. Shaw, "lingers among many economists, who are satisfied to condemn advertising under the name 'puffing,' and who fail fairly to analyse its position as an agency in our scheme of distribution."

This analysis of the whole scheme of distribution is Mr. Shaw's main contribution, and his *exposé* is well worthy of recapitulation. To organise a selling campaign, business heads must settle the quality and price of the goods to be offered and must communicate the nature of the goods to the public through certain agencies. Usually the particular combination of quality, price, communication and agency is chosen by intuition, prejudice, or an isolated individual experience, or, not improbably, by ignorance of any other combination. But Mr. Shaw urges first that all the alternate policies at each stage should be put before the distributor, and secondly that the efficiency of each policy should be tested scientifically in relation to the different circumstances of the public to be reached.

Thus where wealth is unevenly distributed a policy of differentiating the price and quality of the same kind of goods may be more profitable than just cheapening the cost of production. Next, if average intelligence is high the "communication" may take the form of a description of the goods, rather than a sample or a view of the whole goods in bulk; next, if the population is scattered advertisement in journals may be more successful than travelling agents or middlemen; and so on, till even the very form of words to be used or the most suitable style of the advertisement is discovered, by taking representative samples of the public and measuring the proportion who are convinced enough to buy!

This type of economic research, which starts out by classifying the different kinds of business activities and tracing the relation subsisting between them—relations such as "alternative," "means to end," "complementary"—is worthy of the attention of all business men and economists. It may even explain the one to the other. The economist will no longer view the business man as a mere *modus operandi* of economic laws, while the business man may possibly recognise that his doings and the economist's sayings really "tend" to correspond. Mr. Shaw's

first chapter, an example of this practical economic science applied to the whole field of business, whets our appetite for his "Approach to Business Problems" soon to follow.

In the case of both the books under review it is interesting to note certain points of view and certain methods at present quite foreign to English lines of thought.

Most striking is the use made in quite practical treatises of the economic theory so despised by the English social worker and so neglected by English business heads. Mr. Gantt spends five pages and a chart in elucidating in great detail the theory of monopoly profits and another chart and three pages in explaining the notion of elasticity of demand; notions and theories on which Mr. Ford apparently based his policy and gained his millions! Mr. Shaw is constantly using the notion of consumer's surplus, and devotes to the theory of monopoly profits three charts.

Both authors also make a sharp distinction between commercial and manufacturing activities. Mr. Gantt urges a transference of industrial control from the merchant or financier to the "producer," but he is somewhat unfair in suggesting, however unconsciously, that it is only the merchant or financier who works for the sake of profit.

Finally we must draw attention to Mr. Gantt's explanation of the success of German industries as partially due to a system of cost-keeping which shows more clearly than other systems the expenses of plant and equipment which are lying idle. Certainly after the war those will thrive best who can make their existing capital go furthest. Here it is that scientific management comes in.

P. SARGANT FLORENCE

*Scientific Management: a History and Criticism.* By HORACE BOOKWALTER DRURY. Pp. 222. (New York: Columbia University, 1915.) Price \$1.75.

DR. DRURY'S sketch of the genesis and development of scientific management (pp. 1-149) is largely a history of the self-criticism and mutual criticism of the various leaders of the movement, and thus goes far to remove the need of criticism of the movement by those outside it. In his discussions of what has been achieved and what may be achieved by the new system, the author, while not lacking in breadth of view and suggestiveness, never offends by any propensity to unconvincing generalisation, and his common-sense weighing of *pros* and *cons* comes as a refreshing corrective to the exaggerated hopes and fears of friends

and opponents. With regard to the stock illustrations of the successes of scientific management in its early days, Dr. Drury remarks that "in each case something has happened to dim the glory of achievement. Though abandoned in few cases, and convicted of failure in none, stagnation, disavowal, or transformation have destroyed their character as satisfactory evidence" (p. 129). For the full glory of achievement, it would seem, the system makes more demands for patience, persistence, and thoroughness on the part of the management than the ordinary human nature of the business manager can be expected to supply. The reader, moreover, whose enthusiasm has been excited by these earlier records of magical achievement may note with advantage Dr. Drury's further judgment—that "the gains under scientific management have often loomed up in greatly exaggerated proportions, because the shops concerned had been badly managed previous to reorganisation" (p. 155). The different aspects of scientific management that have been successively brought into prominence by the promoters of the movement are handled with discrimination. Thus with regard to its most striking feature, the intensive individual "coaching" of the workers, it is pointed out that "this can be carried to refinement only in cases where there is a great deal of repetition . . . The public has a greatly exaggerated idea as to the importance of this side of scientific management. Its novelty has attracted attention, but in reality there is little of it" (p. 159). The evidence as to its effects on workmen (partly investigated by a congressional committee in 1912) is weighed with care. "After an ever-widening application [scientific management] could not yet be charged with having produced victims of overwork" (p. 191). "There is no evidence that employees are injured physically, or that the effort is especially disagreeable. Still, most men would not choose the new system for its own sake. It is the association in thought between larger production and greater pay that makes men glad to turn their wits away from side issues and concentrate them on making their movements count towards output. When transformed by this thought, work under the new system is perhaps not as tedious as work under the old" (p. 195). Among its good points Dr. Drury notes that "such promotion as there is should be on a more just basis under scientific management than elsewhere, because its more adequate records covering the work of each individual enable the head men to know just who are the most capable workers. The capable but rather unobtrusive man, in fact, ranks higher under scientific management than he would elsewhere;

he is worth more; for the things that he needs for his work are supplied as a matter of course; and it is not necessary, as in some shops, to use personal pressure to get others to treat one fairly; hence true efficiency—and not audacity—counts towards output” (p. 199). This also would seem to conflict with the English tendency to standardisation of workmen and workmen’s pay (“class lines by occupation are blotted out, and distinction according to individual capacity is substituted”), and might therefore, if the system ever makes headway in this country, be an important source of trade union hostility to its extension. In America there would seem as yet to have been scarcely any contact between scientific management and trade unionism.

L. ALSTON

*Domestic Service: An Enquiry by the Women’s Industrial Council.* Report by C. V. BUTLER. With a supplementary chapter by LADY WILLOUGHBY DE BROKE. (London: G. Bell. 1916. Price 1s. 3d. n.)

THE Women’s Industrial Council has collected a quantity of evidence from mistresses and maids, and embodied the results in a small volume, which, though not unique, is one of very few attempts to apply “descriptive economics” to the occupation of domestic service. The attempt is on the whole remarkably successful, though the results contain nothing very strange or new. The evidence appears to have been edited and summarised by representatives of one side only, but, considering that it deals with a subject in regard to which an attitude of detachment is quite exceptionally difficult, it may be said that a high degree of impartiality has here been achieved, and the advantages and disadvantages of the occupation are set out in the very words of those who follow it. It is needless to say that the subject bristles with complications, and cannot even in theory be reduced to order and system. It is difficult, if not impossible, to standardise domestic service. It cannot be paid on a unitary system (certainly not per piece, and only with difficulty per hour), and not even the most highly qualified Board of Trade officials could devise forms for a Census of Production, or estimate the output per head in terms of money value. Much depends, of course, on the needs and requirements, not to mention the inclinations and caprices, of the individual employer.

Domestic service has come down to us largely as the outward sign of class differences; it is still largely governed by custom and tradition, and is not only unpopular, but most imperfectly



adapted to modern needs. It performs a very necessary social function, but it does so with considerable waste as well as friction, and the operation of demand and supply often fails to provide assistance in home work where it is most needed, as, for instance, in the case of the overtaxed mothers of young children, who cannot afford or for other reasons cannot obtain effective help.

The book, as far as it goes, is useful, sensible, and practical, and offers various good suggestions. Incidentally, also, it is fairly optimistic. There are many grounds for hope that, with better education and more thought on both sides, a clearer recognition that service need not be servile, but has a rational justification on grounds of the economic distribution of ability, and with the break-up of *idées fixes* and class traditions that the war is helping to bring about, some of the difficulties here outlined may be overcome, and domestic work may become as self-respecting a means of livelihood as sick-nursing or clerical work, which, relatively to their pecuniary advantages, are now so much more popular.

B. L. HUTCHINS

*Arbitration and Conciliation in Australasia: the Legal Wage in Victoria and New Zealand.* By MARY THERESA RANKIN, M.A. With an Introduction by J. Shield Nicholson, Sc.D., LL.D. (London: George Allen and Unwin, 1916. Pp. 192.)

THIS little essay—the result of the researches of a Carnegie scholar—has earned the praise bestowed by Prof. Nicholson. The inquiry has, he says, been made “with no preconceived idea of finding support for any economic system or ideal.” It is a “first-hand survey,” and we can readily conceive that the diligent, impartial study of the official reports and publications used has meant no inconsiderable labour. The first of the two types investigated is the wages board system of Victoria, in which the greater stress is laid on the method of conciliation between the parties, while the second—the New Zealand system—exemplifies the mode of settlement by the outside tribunal of an Arbitration Court. Miss Rankin’s fresh, independent scrutiny will not, we believe, reverse previous opinion, derived directly from the reports, like that of Mr. Aves, or from the valuable unofficial accounts, such as that of Mr. Broadhead; but the material accessible is not likely to be enlarged by later investigators. She has furnished opportunely a compact conspectus of the successive stages of the legislation, and has placed in a clear light the results of the experiments, so far as these admit of being defined or separated from surrounding circumstance.

Her conclusions are significant. The sequel does not accord with the original design: New Zealand is not now a "land without strikes." On the contrary, the attitude of labour has moved from favour to hostility towards the decisions of the Courts, as the economic environment has altered, and the judges have been compelled to allow the pleas of the employers. More ominous, and no less informing, has been the tendency in practice to thrust aside the preliminary machinery of conciliation, which, according to the earliest project, was to be chiefly used, and to go straight to the Arbitration Court, while *pari passu* informed detached opinion is more and more inclined to emphasise as the surest guarantee of lasting peace frank, free discussion by the interested parties. For thereby alone can a satisfying agreement be reached and maintained on the principle or principles to be applied. A doubt, or a difference, on the bases of determination has, indeed, been common to the experience of New Zealand and Victoria, and it is not easy to see how vacillation can be wholly overcome. The wages paid by "reputable" firms furnish an ambiguous criterion, although they are likely to cause the least dissatisfaction. The restrictions of wage boards, however, suggest or require the loophole of "permits" to pay less to inefficient workers; and yet the incapable lose employment, the alternative of juvenile labour is encouraged, and unregulated industries co-exist by the side of the occupations governed by the boards.

Thus the hopes once entertained with sanguine confidence seem doomed to disappointment. Unexpected developments occur and difficulties, which were not discerned or appreciated, appear and resist incautious handling. On such points as these Miss Rankin's careful and dispassionate study throws new instructive light. Nowhere is she more illuminating than in the necessary distinction made between the legitimate attempt to get rid of sweated labour and the more arduous settlement of the standard earnings of higher ranks of workers. And yet, starting from opposite ends, with divergent aims, both the New Zealand and the Victorian experiments have stumbled blindly into this perilous confusion.

L. L. PRICE

*The York Memorandum Book.* Part II. (1388-1493). Edited by Maud Sellers, Litt.D. (Surtees Society, Vol. CXXV., 1914, pp. lxxiv + 330.) . .

FOR readers of this JOURNAL the second instalment of *The York Memorandum Book* is perhaps hardly so attractive as the first, which was reviewed in June, 1913. Like its predecessor, this collection of miscellaneous municipal documents contains

quantities of gild ordinances and kindred matter, also some important documents bearing on foreign trade; but there is a good deal that is primarily legal or even political, and a considerable part of the editor's introduction is devoted to local government and local history of a general kind—all most interesting, be it said. The mystery or gild ordinances number twenty-six (there were forty-one in the first volume), and include those of wool "broggers," cooks, hatters, parchment makers, plasterers and tilers, pinners and wire-drawers, shipmen, and many more. The position of the building trades is interesting. Many of them in medieval towns had not the ordinary gild organisation, but in York, with its amazingly varied and often absurdly small gilds, things seem to have been different. The plasterers, tilers, carpenters, and wrights have their regular ordinances. The builders' labourers, "*videlicet, kidberers, garthyners, erthewallers, pavers, dykers, groundwallers with erthe,*" if not a mystery, have laid upon them the characteristic mystery obligation of contributing to the Corpus Christi pageant; the masons are apparently a regular mystery. Oddly enough, they do not appear anywhere in the index, either under their own name or under mystery, nor is their position discussed in the introduction, which is a pity; but what that position was seems clear. They have searchers, the ordinary sign of gild organisation (pp. 101, 111, 112, 249). They have a pageant and they grumble about it (pp. 124, 188). What more could one want, even though there are no masons' ordinances?

There are other defects in the index, which are the more annoying because *The Memorandum Book* is a jumble of odds and ends; there is no table of contents, and this is not the kind of book which anyone but a reviewer reads from cover to cover. For instance, on p. 171 we read of the pageant of the "*turnours, hayresters et bollers*, ubi, Jhesus ligatus erat ad columpnam et flagellatus." The bollers come in the index, the hayresters—whoever they may have been—in the glossary, but not in the index, the turnours in neither. The mysterious people called *pikemongers* (p. 239), again, are neither in glossary nor index. The *tapiters* occur at one place in the index, but are omitted under the heading misteries, to which anyone would turn for a full list. If the glossary tells us that a "*lome*" is a loom, ought it not also to say that a "*shotill*" is, presumably, a shuttle? It says "*butt*" was a *measure* of land, which surely it never was, as Ducange's quoted identification of "*butta terræ*" with "*bout de terre*" alone suggests.

There are some interesting documents bearing on the industrial position of women, apprenticeship, and the like. Women seem to have been regular "masters" in their own right in the stringers' craft (p. 123), though it is always hard to be quite sure that rules about them do not refer to widows, who were allowed to carry on in every town and every craft. In the cooks' craft, on the other hand, wives were not even to sit "in shoppis publicis ad vendendum per retalliam" unless they were skilled (p. 160). Of the four rules as to the duration of apprenticeship, three require seven years, one—the earliest, that of the stringers, 1420—only four. The earliest ordinances in the previous volume (A.D. 1307) have the four-year period. There are several cases of provision for the admission of strangers, both masters and servants, to the misteries (pp. 123, 140, 166, 207). The hired man who had not been apprenticed is clearly contemplated in an ordinance on p. 178. Elsewhere (p. 210) a distinction is drawn between hired men proper—i.e., long-hired men and jourmen or journyemen. On p. 174 is the decision of an interesting "overlap" dispute, to use modern Trade Union language, between carpenters and tilers; similar troubles among the various types of smith are referred to on pp. 174, 179. Note that by the middle of the fifteenth century the country fullers were beating the town fullers out of the business, and that the whole craft of the glasiers amounted to eight persons. The first volume contained smaller gilds than this—one of six and one of five members. Certainly York was the most profusely "gilded" town of its size in all England. The total number of gilds is from sixty to seventy. London—which was three times the size—only had a hundred and ten as a maximum, and Norwich never got beyond six-and-twenty.

J. H. CLAPHAM

*International Morality and Exchange.* By HENRI LAMBERT.

Translated from the *Journal des Economistes*. (London: Geo. Allen and Unwin. 1916. 8vo. Pp. 40. Price 6d.)

*The New Protectionism.* By J. A. HOBSON. (London: Fisher Unwin. 1916. 8vo. Pp. xx+153. Price 2s. 6d. net.)

M. LAMBERT's pamphlet is a translation of articles in the *Journal des Economistes*, and Mr. Hobson's little book is, in part, a reproduction of articles in the *Manchester Guardian*.

The thesis of M. Lambert, who describes himself as a manufacturer, of Charleroi, is that "by the very nature and force of

things economic co-operation of peoples is the fundamental principle of International Morality." He undertakes to establish "rationally and without having recourse to such arguments of fact as suggest themselves to the mind, that Humanity will henceforth find itself more and more confronted by this inflexible dilemma : liberty of international trade, or international conflicts of increasing gravity between the most advanced and powerful peoples." Readers will gather from this that M. Lambert has not been improved in translation, but I have had the advantage of reading him in the original, and there, as in the translation, he gives me the same impression as I get from a street preacher—an impression of familiar words and phrases. His advice to the world seems to be : "Introduce universal free trade, and you will have no more wars," and he rejects with contumely all other methods of pacification. He evidently has not had any experience of the difficulty of teaching elementary economics, or this belief would leave him an optimist. We shall have to wait a long time for the suppression of war if we are to wait till universal free trade prevails. "Such arguments of fact as suggest themselves to the mind," to use his translator's phrase, indicate that he is putting the cart before the horse. In fact, peoples have set up high tariffs because they disliked the foreigner, and have taken them down, lowered them, when they disliked him less, and abolished them when they decided that the foreigner was not a foreigner, but one of themselves.

Mr. Hobson, of course, looks a little deeper. In his earlier chapters he sets himself the easy task of demolishing the New Protectionism, which after all is nothing but the old protectionism utilising the ill-feeling created by the war and its unchivalrous incidents. He does this very effectively, though it is impossible to agree with him that the defence-value of food duties is disproved by the fact that protectionist belligerents have abandoned them during the war. Very curiously he seems to think the case against them is aggravated by their being "comparatively self-supporting in their food supply." The object of food duties, considered as defensive measures, is to make a country independent of foreign supplies in time of war by enlarging normal home production : when the war actually comes, it is clearly unnecessary to pursue this object for the moment—in fact, to argue that the policy is a failure because it is suspended during the war is like arguing that the Bisley shooting competition is of no use for the same reason. It would have been more effective to point out that experience seems to show that to secure their object in a long

war hindrances to the importation of food will have to be supplemented by hindrances to the importation of the manures on which the more intensive cultivation is supported, and also that there are difficulties about putting your agricultural population in the battlefield, unless you are lucky enough to have succeeded in enslaving a large number of your enemies at an early period in the war.

More interesting is Mr. Hobson's last chapter, "The Open Door," in which he unfolds his positive contribution to the solution of the problem. Unlike the enthusiastic M. Lambert, he admits that simple protectionism "does not normally promote hostility" between countries. In his view, the prime cause of modern wars is the struggle between the European Powers for fields of exploitation in the "undeveloped" regions of the world. They are, he thinks, almost necessarily dragged into supporting the schemes of their subjects. "No League of Nations, no Hague Conventions, or other machinery for settling international disputes, are likely to furnish any reasonable security for peace or for reduced armaments unless this problem of conflicting interests in the profitable exploitation of new markets and backward countries can be solved." We must therefore, he believes, resort more and more to international arrangements and international commissions for regulating this exploitation and securing the open door.

I doubt this diagnosis. The quarrels between the great States about these undeveloped regions do not seem to me to arise either from the real economic interests of a few enterprising individuals among their subjects or from the imagined economic interests of their peoples as aggregates, but from the military or naval interests which are, or are supposed to be, involved. The economic interpretation of hostile feelings is generally a fraud. The root of wars is now, as ever, almost always the desire of dominance over the foreigner cherished by the ruling class, and the fear of being dominated by the foreigner which the ruling class contrives to implant in the uninstructed mind of the populace, partly by assuring it that its economic interests are at stake, but much more largely by playing on traditional semi-tribal dislike of the foreigner. The end may come through a tremendous class struggle overpassing national boundaries and blotting out these international dislikes, but it is, perhaps, more likely to come through the system of alliances which Mr. Hobson condemns as "the chief cause of past insecurity" (p. 114). The desire for dominance, which is strong on behalf of a single nation with a

tribal tradition behind it, is weak on behalf of a great alliance of nations of various languages and colours : with it weakens the fear of being dominated, not only because it is no longer so strongly stimulated by the class which wishes to dominate, but because the populace is confused by its inability to distinguish between allies and enemies, and because the danger of sudden attack is diminished.

EDWIN CANNAN

## ARTICLES AND MEMORANDA

### SOME FAMILY BUDGETS FROM BIHAR.

IN the following pages I propose to describe the economic circumstances of six families, representative of three different classes of the population in a densely populated and, in consequence, relatively poor part of India, viz. :—

(a) the petty clerk class, living in the towns, and drawing pay of 7s. 9d. to 10s. 9d. a week (Rs. 25–35 a month);

(b) that section of the rural population which is “in service” of the better-paid kind, e.g., *malis* (gardeners), domestic servants, and the like;

(c) the agricultural labourer.

The third of these classes, especially in cases where employment is casual and precarious, belongs to that section of the population, numerous in every country, whose poverty is not far removed from the minimum necessary for subsistence. The first class may be said, perhaps, to correspond roughly to that class in England which comes just below the income-tax exemption limit. The second occupies an intermediate position, being much more “secure” than the casual labourer, and usually at least as “comfortable” as the smaller peasant farmer.

The bulk of the rural population in India, as is well known, consists of peasant farmers, amongst whom two principal classes are distinguishable, viz., self-supporting cultivators farming five to seven acres as a minimum, and those who depend mainly on agriculture, but have some alternative means of livelihood as well. I have a number of budgets representative of both classes, but the inquiries made in this field have not, up to the present, been of a sufficiently searching character. The difficulties of obtaining accurate particulars of out-turn, of estimating the cash value of the produce (much of which is for domestic consumption), and of allowing fully on the expenditure side for working expenses,



are very great; and, while these budgets contain much that is of interest, they are not sufficiently reliable to permit of my using them here.

The budgets given will, it is hoped, prove interesting not only in themselves, but also as the fruit of a promising experiment in the practical study of economics in an Indian college. At the end of 1909 Mr. Charles Russell, now Principal, founded at Patna College a students' society, known as the Chanakya Society—so-called after Chanakya, Prime Minister of the Mauryan Chandra Gupta at Pataliputra (the ancient Patna), whose *Artha Shastra* is an early contribution to economic science. The Society conducts economic inquiries of various kinds, of which the most fruitful has been the collection and publication of upwards of forty family budgets. It is from these that the following representative selection has been made. The families, whose circumstances are recorded, were in every case well known to the student-investigator. The particulars were compiled on systematic lines; while, at the same time, such was the spirit and the imagination with which the investigator entered upon his task, each budget constitutes a genuine human document.

Two students' budgets are added as throwing an interesting sidelight on the circumstances of the investigators themselves.

(a) 1.

This is the budget of a Muhammadan family living in the small town of Bihar, near Patna. The sole wage-earner is a man of thirty, educated up to Matriculation standard (possessing, that is to say, a fair knowledge of English), and employed as a Government clerk on pay of 7s. 9d. a week (Rs. 25 a month). He also owns a little land and two houses, inherited from his grandfather. One of the houses he occupies himself; the other is let to his grandmother, who pays a rent of £8 a year (Rs. 120) for it. His mother, who lives with him, owns a little land in her own name. Between them they possess landlord rights in some twenty-six acres of land, scattered among different villages, which yield them an annual rental of £12 (Rs. 180) a year. The total resources of the family amount, therefore, to £40 a year.

The social position of the family is, however, to be gauged less by their income than by the kind of house they live in and by the nature and value of their possessions. The house, with the courtyard, occupies about a *bigha* (one-third of an acre). It is built of mud and rubble, and has a thatched roof. It is of two storeys, and contains two large and nine small rooms, besides

verandas. The jewellery and ornaments belonging to this family, many of them wedding presents from well-to-do relatives, amount in value to no less than £92 (Rs. 1,380). One pair of gold *kangna* (bracelets) alone is worth £13 6s. 8d. (Rs. 200). Kitchen utensils, household furniture, etc., are valued at £54 (Rs. 810). Besides the usual pots and dishes, these include a tea-set, a samavar, one dozen china cups, two dozen china plates, and two dozen of both cups and plates in enamelled ware. There are four pipes (*hugga*) worth 30s., a set of cushions worth the same amount, one silver and two brass spittoons, two almirahs (ward-robres) worth £1 each, and two bedsteads fitted with mosquito curtains of the same value; a litter (*palki*), 30s.; books, £3; and clothing (men's and women's), £15.

The household consists of five adults and three children, viz., the wage-earner himself (thirty years old), his wife (twenty years), his widowed sister (twenty-four years), his three little daughters (the eldest being four years), his mother (sixty years), and a maidservant (thirty-five years). The wages of the servant are one rupee monthly, with board and clothing. They live in a simple but comfortable enough style. Though Muhammadans, they are almost entirely vegetarian. Meat and fowls are seldom eaten; not more than fourpennyworth a week on the average. The weekly food budget is approximately as under. The prices of grain are town prices, and relatively high.

<i>Grain</i> . 35 lbs. rice; 7 lbs. <i>dal</i> (pulse); 28 lbs. wheat, barley	<i>s.</i>	<i>d.</i>
or maize	5	4
<i>Vegetables and fruit</i> , 1s.; <i>salt and spices</i> , 4d.	1	4
<i>Oil and ghi</i> (clarified butter), 1s 8d.; <i>milk</i> , 7d.	2	3
<i>Meat and fowls</i> , 4d.; <i>sugar</i> , 2d.	0	6
<i>Miscellaneous</i> (including fuel)	0	7
	<hr/>	<hr/>
	10	0

Thus it will be seen that out of a weekly income from all sources (leaving out of account the rent-free house in which they live) of 15s. 6d., the family spend approximately 10s., or nearly two-thirds, on food. The next largest item is the sum spent annually on clothing, viz., £1 for shoes and £3 for cloth and sundries. £4 was spent on other necessary expenditure, including repair of house, wages of servant, kerosene oil (4½d. a week), services of barber, washerwoman, etc., municipal tax (6s. 4d.), and new kitchen utensils. £4 10s. was spent on festivals and entertainment of guests (£3), travelling expenses (13s. 4d.), wedding presents (13s. 4d.), betel-nut (8s.), and miscellaneous.

Out of an income of £40, £38 10s. was spent, the summary of

expenditure and savings for the year being approximately as follows :—

Food.	Clothing.	Other Necessaries.	Other Expenditure.	Total.
£	£	£	£ s.	£ s.
26	4	4	4 10	38 10
			Savings	1 10
				<u>£40 0</u>

(a) 2.

The second budget is that of a Hindu family belonging to the Kayasth or writer caste. It illustrates well the joint-family system which regulates the economic affairs of most middle-class families.

The head member of the family, who was formerly a Government servant on pay of 3s. 8d. a week (Rs. 12 a month), is now a pensioner on 1s. 10d. a week. His two sons, whom by dint of good management and self-denial he provided with a high-school education, are clerks in the Public Works Department on salaries of 10s. 9d. (Rs. 35 a month) and 9s. 3d. (Rs. 30 a month) respectively. The old man owns a *bigha* (one-third of an acre) of land, which he purchased a few years ago. It yields a *būtai* rent (*i.e.*, half the gross produce) amounting, on an average, to about 13s. 4d. (Rs. 10). In the year for which particulars were obtained, a present of £1 in cash (besides certain presents in kind) was received from the younger son's father-in-law. This went also into the common treasury, so that the total resources of the family for the year amounted to £58 10s., or 22s. 6d. per week.

Owing to the two sons being employed in offices in different places, three establishments have to be maintained out of the common purse. At the beginning of the (Hindu) year the head of the family draws up a budget, which is strictly adhered to. In the year for which particulars were given he allowed his younger son, living in the capital town of the province, £12 (*i.e.*, rather more than 4s. 6d. a week) to cover all expenses. Living at home in the country, he and his wife spent about the same sum. To his elder son, whose establishment included himself, his wife, three little children, and his brother's wife, he allowed £24. In all, therefore, there was an expenditure of £48, and a saving on the total year's income of £10 10s. Almost identically the same sum was saved in the previous year. This man out of his savings spent over £30 in two successive years in marrying his two daughters.

The old people at home live in a simple and frugal style. Their house is built half of brick, half of rubble, has a thatched roof, and contains a *dalán* (hall) and five inner rooms, of which one serves as kitchen and family temple combined and another as store-room. Their food costs approximately £7 (or 2s. 8d. weekly), and includes a small sum spent on entertaining their sons in their holidays. Rather less than £1 is spent on clothing, and £3 on other necessary expenditure, including wages of one rupee a month to a daily maidservant. Their sole extravagances were 12s. 6d. on tobacco and 10s. on the celebration of a domestic religious festival, or *pūja*.

The summary of their expenditure and savings for the year is as follows :—

	Food. £	Clothing. £	Other Necessaries. £	Other Expenditure. £	Total. £ s.
At home	7	1	3	1	12 0
Away	—	—	—	—	36 0
			Savings ...	...	10 10
					<u>£58 10</u>

(b) 1.

This is the budget of a family belonging to the *māli* (gardener) caste. Dhanukh Rām, the head of the family, is in private service as a *māli* in the town of Chapra, in North Bihar, where, besides his pay of 4s. a month, he gets board and clothing worth perhaps another 5s. At their village home, near Chapra, the family have an acre of land under cultivation, besides a small but well-stocked orchard. They pay rent of £1 10s., and expenses of cultivation amount to £1. The income from the orchard (the produce of which they sell) is estimated at £3, and that from the holding (the produce of which they consume) at £6, so that their net annual income from these two sources is £6 10s.

The household consists of Dhanukh himself (fifty years old), his wife (forty-six years), two sons (twenty-five and twenty years) and their wives, and a younger son (twelve years). Only the three women and the boy live at home permanently, the other members of the family visiting home from time to time, especially during the sowing and harvest seasons. One of the two sons is employed in a jute mill, at Calcutta, on wages of 5s. a week (Rs. 16 a month), the other as a *māli*, also in Calcutta, at wages of 3s. 9d. (Rs. 12 a month). Each spends half on his keep in Calcutta and sends half his wages home. Including a small item spent on clothing, which comes out of the common purse, one

son is responsible for an expenditure in round figures of £7 a year, and the other for an expenditure of £5, their total contributions to the common purse being £13 and £9 10s. respectively. Similarly, Dhanukh himself is in receipt of total annual wages (in cash and kind) of £5 10s., of which he consumes £3 worth, and contributes £2 10s. to the common purse. Thus, including the estimated net income from orchard and holding, we have a total family income from all sources of £34 10s., of which £15 is spent away from home.

The home expenditure of the family consists of £9 spent on grain (two-thirds of which is from their own holding), the daily consumption amounting to 6½ lb. when the male members are absent and 11½ lb. when they are at home. Other food items account for 13s., clothing (for the three women and the boy) 36s., lighting oil 4s.; and miscellaneous necessary expenditure 7s.; total, £12. The sole extravagances were 1s. for tobacco, 6s. for the entertainment of guests (including intoxicants), 9s. for the celebration of a religious festival, and 1s. 6d. in alms; total, 17s. 6d.

Out of the total net income of £34 10s., therefore, we have approximately as follows:—

	Food.	Clothing.	Other Necessaries.	Other Expenditure.	Total.
	£ s.	£	s. d.	£	£ s.
At home	9 10	2	10 0	1	13 0
Away ...	—	—	—	—	15 0
			Savings	...	6 10
					£34 10

This family lives in a mud-built house with a tiled roof containing seven rooms, besides an outhouse for cattle. They possess a bullock and a heifer, and ornaments worth £4.

### (b) 2.

The second budget is that of a Kurmi family (a labouring caste) living in the town of Chapra.

Lachimi, the head of the family, is thirty-six and his wife thirty years of age. They have two sons, aged fourteen and eleven respectively. The younger lives at home, and in the summer months he earns 20s. or so as a punkha-puller in one of the local schools. The older boy is at work in Calcutta, and manages to send home 30s. The father is a domestic servant in the house of a local *mukhtar* (petty attorney), receiving wages of 10s. 8d. (Rs. 8) a month. During the day, when his master

goes to court, he draws water for the municipality. This work occupies him for one hour daily, and his wages are 6s. 8d. (Rs. 5) a month. His wife serves a number of families as daily servant, and earns 6s. 8d. (Rs. 5) a month.

Living in the town, the family has no land to cultivate, and they live in a rather squalid little house containing only two rooms. Cooking is done in the veranda.

Thus the total annual resources of the family (neglecting what the older boy spends on his keep in Calcutta) amount to £17.

Of grain (viz., rice and pulse, maize, etc.), Lachimi and his wife consume about 4 lb. a day (one lb. each at each meal), and the boy rather less than  $\frac{1}{2}$  lb. For their morning *jalpán* (breakfast) they take *bhunja* (parched grain) or sweetmeats, costing them  $\frac{1}{2}$ d. each day. They live pretty well, buying fish frequently or, when they do not get fish, vegetables. They very seldom buy cow's milk, but the boy drinks the milk of the two she-goats they possess. Their weekly food budget (for two adults and a child) is roughly as follows :—

	s.	d.
Grain, 31 lbs., 1s. 9½d.; for <i>jalpán</i> , 3½d. . . . .	2	1
Vegetables, 4d.; fish, 4d. . . . .	0	8
Oil and ghi, 2½d.; sugar, ¼d.; salt, ¼d. . . . .	0	3
	<u>3</u>	<u>0</u>

On clothing they spend nothing, as clothes are provided by their employers, which are sufficient also for the boy who lives at home. (No attempt has been made to estimate the cash equivalent of this item.) Necessary expenditure, besides food, accounted for 12s.

The family spends 4s. a year on tobacco and no less than 33s. on intoxicants. They spent 33s. on the entertainment of guests and on religious observances (including a pilgrimage made by Lachimi's wife along with the other women in their quarter), and at the time of the Diwáli festival Lachimi lost £1 in gambling.

The outgoings and savings for the year are summarised below :—

Food.	Clothing.	Other Necessaries.	Other Expenditure.	Total.
£ s.		s. d.	£ s.	£ s.
7 15	nil	10 0	4 10	12 15
			Savings ...	<u>4 5</u>
				<u>£17 0</u>

An extraordinary expense, incurred during the year for which particulars were obtained, swallowed up, however, the greater

part of Lachimi's savings.\* This was a feast given to his fellow-castemen in order to be received again into the caste, he having been previously outcasted. This cost him £3 5s.

The family possess two she-goats and a kid, and ornaments worth £5.

(c) 1.

This is the budget of one Mahabir, who is a barber by caste but an agricultural labourer by occupation.

The household consists of Mahabir (fifty-four years old), his wife (fifty-six years), their two sons (nineteen and eight years), and a daughter (eleven years), who, though married, still lives at home. They possess three goats and a calf. The little boy looks after the goats; the girl brings grass for the calf, besides collecting firewood; she also does the cooking for the family. The three adults are all employed as field-labourers. Mahabir gets 4s. 6d. (Rs. 3.8) per month and his clothing. This is equivalent to the current rate of 2d. a day. His wife gets 1s. 4d., with a daily allowance of coarse grain worth about 2s., and her clothing. The elder son gets 2s., with complete board (which can be valued at 2s. 6d.) and clothing. The total earnings of the family, therefore (neglecting the value of the clothing they receive), amount to 12s. 6d., or £7 10s. for the year. The family cultivate a small plot of land, but during the year in question drought spoilt the spring and floods the autumn harvest. The rent they pay is 10s. 6d., and the expenses of cultivation were 8s., whereas the total value of the produce obtained was not more than 16s., so that they actually suffered loss.

The family (comprising Mahabir and his wife and the two younger children) consume about 7 lb. of coarse grain daily, costing them little more than half that of the more varied diet of all but the very poor, viz., rice and *dāl* (pulse) for the morning, and wheat, barley, etc., for the evening meal. Grain costs them £4 a year, and other food items 10s. Clothing costs them nothing, as their employers find the three adults', while this year his mother's employer provided the little boy with clothing, and the girl got hers from her father-in-law. Other necessary expenditure accounted for 8s. 6d., including 1s. 6d. for lighting oil. They only light their lamp when it is time to eat their evening meal or when any disturbance occurs in the night. Then Mahabir paid back 6s. out of an old-standing debt of 16s., and 2s. 6d. as interest on the remainder (at the rate of 25 per cent.). They spent 1s. 4d. on tobacco, 8d. on *gānga* (hemp), and 5s. on a religious festival and miscellaneous.

This, out of an income of £7 10s., outgoings and savings were approximately as follows:—

	Food. £ s.	Clothing.	Other Necessaries. s. d.	Other Expenditure. s. d.	Total. £ s.
At home	4 10	nil	17 0	7 0	5 14
Away..	—	—	—	—	1 10
			Savings ...	...	0 6
					£7 10
					==

A complete inventory of the household furniture comprises a bamboo bed worth 1s., a brass *loti* (or waterpot) 1s., cooking, etc., utensils 1s., tools and sundries 1s.; total, 4s. In addition, they possess ornaments worth 10s. They live in a mud-built, thatched house containing two small rooms.

(c) 2.

The second budget is that of an agricultural labourer's family (Kori by caste) in North Bihar. The head of the family left home some years ago to seek work in Bengal, and has not been heard of since. There are three sons (aged eighteen, eight, and six years respectively), and a daughter of eleven years. Rámji, the eldest son, is married, and the household accordingly comprises three adults (viz., Rámji, his mother, and his wife) and three children. Rámghulám, though only a child of eight, earns full wages as a field-labourer, viz., 2d. a day. People call him *purdnia*—i.e., old for his years. Rámji is a ploughman on the same wages, which are paid sometimes in cash, but generally in kind. Rámji and his brother bring home as their wages 8 lb. of coarse grain (millets, pulses, etc.), of which the family require 7 lb. at the very least for their daily consumption. In cash this represents an annual income of £6, of which 15s. at the most can be laid aside to meet other expenses. Clothing, for example, costs an average of 2s. per head for the women and 3s. per head for the males—i.e., 15s. in all. Other necessary expenditure, amounting possibly to 10s., has to be met chiefly by economising in diet by substituting *sakarkand* (sweet potato), the cheapest of all foodstuffs, during part of the year for grain.

That the family lived absolutely from hand to mouth during the year for which particulars were obtained is evident from the fact that on two days, when Rámji and his brother were without employment, they had to borrow grain for their daily needs. Again, they had to borrow 8d. for the purchase of fruit, wheat, etc., to enable them to celebrate the *chhath* (or sun-god) festival.



Their poverty was aggravated this year by the fact that in the half-acre of land which they cultivated they produced only some *sakarkand*, their crop of maize being ruined by floods.

The family live in a hut containing only two rooms. They possess three cows of the value of £4 10s. in all, and some goats. Their household furniture consists of a brass dish, 1s. 4d.; two brass *lota*, 1s. 10d. each; miscellaneous kitchen utensils, 1s.; grindstone (flour-mill), 2s.; total, 8s.

The summary of their expenditure is as follows:—

Food.	Clothing.	Other Necessaries.	Other Expenditure.	Total.
£ s.	s. d.	s. d.		£ s.
4 15	15 0	10 0	—	6 0

For purposes of comparison, I append a table in which is shown the average expenditure per unit for each of the families dealt with above, this average being obtained by reckoning two children as equal to one adult, and omitting infants. Comparing the budgets on this basis, it will be seen that an expenditure of £6 to £7 in the first class corresponds to one of £4 to £5 in the second (the higher figure in each case standing for the town as opposed to the country), and to one of 30s. to £2 in the third class. Less than 30s. (the actual average in the last case) must be regarded, I think, as semi-starvation.

Class.	Total Annual Income.	Total Annual Expenditure.	Total Units in Family.	Average Expenditure per unit.
	£ s. d.	£ s. d.		£ s. d.
A. { 1 ... ..	40 0 0	38 10 0	6	6 8 4
{ 2 ... ..	53 10 0	48 0 0	7	6 17 2
B. { 1 ... ..	34 10 0	28 0 0	6½	4 6 2
{ 2 ... ..	17 0 0 <sup>1</sup>	12 15 0 <sup>1</sup>	2½	5 2 0 <sup>1</sup>
C. { 1 ... ..	7 10 0 <sup>1</sup>	7 4 0 <sup>1</sup>	4	1 16 0 <sup>1</sup>
{ 2 ... ..	6 0 0	6 0 0	4½	1 6 8

<sup>1</sup> Omitting value of clothing

Finally, I give particulars of the monthly budgets of two college students, one drawn from the first of the classes represented above, the other from a more well-to-do class.

The former is an orphan. His uncle, who has brought him up, allows him 10s. each month, and his father-in-law 7s. He earns 7s. by private tuition. His regular expenses are: college fees, 5s. 6d.; share of rent and messing charges (he lodges with five other students, and they employ one servant and a cook), 8s.; light refreshments, 5d.; washerman and barber, 7d.; and miscellaneous, 1s.; total, 15s. 6d. Out of the balance (*viz.*, 8s. 6d.) he has to buy his books, clothes, etc., and whatever he can save he

sends home to his wife. The annual expense of his education, allowing for two months' vacation, may be taken as £9 to £10.

The second student pays fees (at a Government college) of 8s. monthly; rent and messing, in the capital town of the province, come to 15s. He also spent 2s. on *ghi* (clarified butter), 2s. 6d. on milk, and 2s. 6d. on light refreshments. Washerman and barber cost him 6d., and miscellaneous expenses amounted to 1s.; total, 31s. 6d. This month he received only 30s. from home, so that he ran into debt to the extent of 1s. 6d. This student afterwards removed to the College hostel, as being rather less expensive. Allowing for books and clothes, a student of this class spends £16 to £18 a year.

F. A. HORNE

PATNA COLLEGE, INDIA.

## THE TRIPLE ALLIANCE OF LABOUR.

### ITS NATIONAL AND TRADE-UNION SIGNIFICANCE.

THE war has caused great changes in the "news value" of current events, matters of vital economic significance have been overshadowed by political and military events. Thus little reference has been made in the Press to the formation of the "triple industrial alliance" between the Miners' Federation of Great Britain, the National Union of Railwaymen, and the National Transport Workers' Federation—three of the strongest trade unions in the country. This important event is more than a domestic concern of the unions involved or of trade unions in general. The conditions underlying the alliance and the possibilities revealed make it an event of the greatest national significance.

It is not an *emergency* measure hurriedly carried out to meet war conditions. It is rather the result of *settled policy* applied after nearly two years of negotiation. Neither is the alliance the offspring of the "official element" in the unions, nor is it an end in itself. It is the result of the demand of the rank and file for some form of co-operative action as a means to an end, viz., "the support of each other's demands." It is intended as a weapon in the armoury of "fighting" trade unions.

For the significant fact is that the origin and nature of the alliance bear the impress of the M.F.G.B.—the most democratic organisation and the strongest economic force in the kingdom. For this union, through its control over the vital coal industry, holds the key to national industrial efficiency for war and peace. Ever since its formation in 1888 the M.F.G.B. has revealed a wonderful knack of ultimately gaining its ends—witness the Coal Mines Act, Eight Hours Act, Minimum Wage Act, non-application of the Munitions Act to coal strikes, the exclusion of non-unionists from collieries. The Delegate Conference of the Miners' Federation controls its affairs and indicates the trend of opinion among its 700,000 members. From the outset it has endorsed a policy of "fighting" trade unionism, more aggressive than ever since the control passed to the radical and socialist sections supporting the "advanced" policy of industrial and political action. This aggressive younger generation of miners has compelled the Federation to abandon its policy of "aloofness" and "self-sufficiency" in relation to trade unionism in general, in

favour of a policy of leadership to save trade unionism from "respectable stagnation as benefit clubs." The resolutions of the Miners' Conferences were to be something more than hardy annuals.

The result of this new tendency was speedily visible at the Conference of 1913, which resolved "that the executive committee of the M.F.G.B. be requested to approach the executive committees of other big trade unions with a view to co-operative action and support of each other's demands." This was the nucleus of the Triple Alliance, for the executive committee of the M.F.G.B. at once approached representatives of the trade unions whose conditions most resembled those of the M.F.G.B.—viz., the N.U.R. and the N.T.W.F.—in the belief that "if a working arrangement could be concluded with a few of the larger sections, afterwards extensions to other groups could be made." This would seem to show that the alliance is itself intended as the nucleus of another even greater organisation.

The Executives of the three unions first met in April, 1914, to consider ways and means of co-operating, and appointed a joint committee to draft a joint agreement, which was discussed and approved by the unions and members concerned, and formally adopted at a joint conference on December 9th, 1915. The *working terms of the resulting Alliance* are :—

1. Matters of a national character, or vitally affecting a principle, may be submitted to the joint body, co-operation not to be called upon or expected until the matter in dispute has received the endorsement of the National Executive of the organisation concerned.

2. Joint action to be taken when two of the three executives have decided in favour of such a course at a meeting specially called.

3. Complete autonomy to be reserved for any one of the three bodies to take action on their own behalf.

4. No obligation to take action unless the foregoing conditions are complied with.

5. Meetings of the three full executives to be held half-yearly.

6. A joint consultative sub-committee to be appointed, consisting of two representatives from each organisation.

7. Every effort to create effective control of their respective organisations to be taken by the allied bodies.

8. Management expenses to be at the rate of 10s. per 1,000 members from each affiliated body.

9. That joint action can only be taken when the question at issue has been before the members of the three organisations, and decided by such methods as the constitution of each organisation provides. A conference shall then consider and decide the question of taking action.

The last clause was proposed by the M.F.G.B. as a means of ensuring democratic control by its traditional conference system. The managing sub-committee comprised the president and secretary of each of the combining organisations. Mr. Smillie

(President of the M.F.G.B.) was appointed President of the Alliance; Mr. Harry Gosling, L.C.C. (President of the N.T.W.F.), being Vice-president, and Mr. J. H. Thomas, M.P. (Assistant and Finance Secretary of the N.U.R.), the Treasurer.

*The nature of the allied organisation can only be fairly estimated by reviewing the position of the constituent unions; for it is according to the policies and resources of the latter that the future of the alliance must be largely determined in that it is really a federation of unions united for certain approved purposes, but otherwise independent. The alliance is an interesting case of federation to the third degree, because one of the unions, the M.F.G.B., is itself a federation of local federations. The M.F.G.B. will probably be the dominant partner in the alliance on account of its strength, completeness of organisation, and efficiency of policy. Since the miners' unions of Durham and Northumberland joined the M.F.G.B., 1907-8, it has acted for the miners throughout Great Britain as regards legislation and general matters of industrial and political policy. It also regulates directly the wage-percentage changes, the policy, and Conciliation Board affairs of the federated miners' unions in England and North Wales. Its membership has increased rapidly:—1888, 36,000; 1889, 96,000; 1893, 200,000; 1900, 363,000; 1907, 458,000; 1913, 675,000; 1914, 736,850, or over 75 per cent. of the colliery employees in Great Britain. It comprises the Midland Counties Miners' Federation (90,000 members) and the following unions on the normal pre-war basis, 1913-4:—*

Name and Date of Formation.	Membership.	Funds.	Income.	Dispute Pay.	Unemployed and Travelling.	Friendly Society Benefits.	Management and other Expenses.
<i>Miners' Federation of Great Britain:</i>							
Northumberland Miners' Assoc., 1863	43,479	£ 20,912	£ 23,204	£ 6,086	£ 569	£ 1,417	£ 7,648
Durham Miners' Assoc., 1860	189,887	129,210	211,253	2,681	28,221	165,072	28,857
Cumberland " " 1872	9,282	8,650	7,779	150	1,405	—	3,243
Lancs. and Ches. Miners' Assoc., 1881	80,773	35,354	64,055	28,984	—	1,108	10,615
North Stafford Miners' Assoc., 1860	27,190	27,241	21,024	425	900	846	7,900
Derbyshire Miners' Assoc., 1880	40,747	281,468	58,176	23	2,438	4,993	10,521
Warwick " " 1885	11,000	12,626	14,888	—	67	—	6,469
Leicestershire " " 1887	6,668	8,766	7,665	—	115	692	955
Nottinghamshire Miners' Assoc., 1880	34,184	152,305	38,152	—	2,761	6,804	3,200
South Wales and Mon. Miners' Assoc., 1898	153,818	76,556	165,708	30,194	1,806	1,706	77,020
North Wales Miners' Assoc., 1892	13,839	8,426	9,242	104	1,666	185	1,827
National Union of Scottish Miners, 1913	85,750	640	5,987	2,569	—	—	2,556
Cleveland Miners and Quarrymen's Assoc., 1872	9,296	4,151	6,688	—	325	1,170	2,603
Yorkshire Miners' Assoc., 1881	107,224 (1914)	—	—	—	—	—	—
South Derby " " "	4,700 (1914)	—	—	—	—	—	—
Somerset " " "	8,898 (1914)	—	—	—	—	—	—
Forest of Dean Miners' Assoc.	2,781 (1914)	—	—	—	—	—	—
Bristol Miners' Assoc. " "	2,188 (1914)	—	—	—	—	—	—
Kent Miners' Assoc. " "	150 (1914)	—	—	—	—	—	—

The M.F.G.B. is organised upon the basis of "industrial unionism," not accepting as members any craft unions of colliery craftsmen, &c. These must join up with the big "county unions" of miners. The M.F.G.B. strictly controls the policy of the Federation and has power to use the resources of the latter for all approved purposes. The *latter* are likely to be closely related to the activities of the alliance, especially the securing of legislation affecting its members favourably; the assistance of federated unions in cases of legal appeals; the provision of funds towards the expenses of labour and political representation; the control of means for protecting and improving the wages, trade position, and general interests of miners; the holding of conferences and the raising of funds for the above purposes.

The M.F.G.B. has shown an increasing readiness to support the advance movements of the federated unions when any question of trade-union principle or national application is involved. These are usually similar to the "matters of a national character or vitally affecting a principle" for which the joint action of the Triple Alliance is to be set in operation. Also, in practice, most trade-union disputes can be shown to involve these questions of principle and national concern. For these reasons the way is open for aggressive or advanced sections to bring forward proposals for the approval of the M.F.G.B., and then of the Triple Alliance, with a considerable chance of getting them applied upon a national scale by means of joint national action. Hence there is a *very important connection between the policy of the M.F.G.B. (and equally so that of its partner unions) and the probable policy of the Triple Alliance.* As far as the M.F.G.B. is concerned, recent resolutions indicate that the matters regarded by the miners as questions of principle and national concern are chiefly:—On the industrial side, appear the enforcement of an individual minimum wage for miners on a national scale, national action to secure uniformly good conditions throughout the coal-mining industry, the extension of membership of the M.F.G.B. so as to exclude the non-unionists from the collieries, and the organisation of all colliery employees in one "industrial" union; improved schemes of compensation for injury and fatalities to miners; better safety precautions and inspection (by State-paid, practical inspectors, and some working miners) in collieries; higher standards of work, housing, and life for the mining population; joint action on a national scale by unions in different coalfields "on questions of new or existing principles"; a National Conciliation Board and national action for all miners in Great Britain; arrangements for all agreements in the coal-mining industry to terminate on the same

date, and for no new agreements to be made unless a higher minimum wage be a part of the conditions. Items in the *political policy* are the resolutions urging the Government to appoint a Minister of Labour; to reverse the Osborne judgment; "to nationalise all land, minerals, mines, royalties, and railways, in the interests of the industries of this country"; to prevent the eviction of miners during strikes by colliery employers owning houses; to undertake housing reform; to increase the old-age pensions, and to reduce the age limit; to legislate for improving mining conditions and for nationalising the surplus of funds established after mining disasters in order to form a national fund for relieving sufferers from all mining accidents. The miners' unions seek to increase the representation of their members in central and local government, for which political purpose the alliance is likely to be very useful.

Apart from the above affairs of policy the *direct contribution of the M.F.G.B. to the resources of the Triple Alliance* are very important: e.g., a large, well-organised membership concentrated in location and controlling large funds and immense capacity for raising levies; a vast network of local organisations directed by an able body of full-time "miners' agents"; an active and well-informed rank and file eager to support any "advance movements" to improve working-class conditions; a strong and democratic central organisation, holding the key to a vital industry and acting through a cautious executive past-master in the art of collective bargaining, industrial and political action.

The more centralised organisation of the *National Union of Railwaymen* influences the resources and policy of the Triple Alliance in other equally important respects.

The N.U.R. is really the outcome of the advance to extend trade unionism among unorganised railway workers begun by the Amalgamated Society of Railway Servants in 1906, and intensified by the conviction that the lack of unity in organisation, control, and policy crippled the railway trade unions in the disputes of 1910-12. Like the M.F.G.B., the N.U.R. is organised upon the basis of "industrial" as opposed to "craft" unionism; for its primary object is "to secure the complete organisation of all workers employed on or in connection with any railway in the United Kingdom." It is an "all grades" trade union organised as an amalgamation with an industrial and national basis on March 31st, 1910, by the fusion of three railway unions with a combined membership of about 170,000. The rapid success of the N.U.R. is very noteworthy:—

Membership in	At fusion, March 30th, 1918.	December, 1914.	December, 1915.
England ... ..	—	228,315	253,736
Ireland ... ..	—	3,219	3,679
Scotland ... ..	—	19,197	24,813
Wales ... ..	—	22,631	24,122
Total... ..	170,000	273,362	306,350

The financial development has also been satisfactory :—

Year.	Income. £	Funds. £
1913 ... ..	199,297	476,435
1914 ... ..	243,401	574,426

The successful growth of the N.U.R. and the M.F.G.B. has brought them into violent conflict with the craft unions of mechanics, blacksmiths, carpenters, &c., culminating in a straight fight at the 1915 Trade Union Congress. The Transport Workers' Federation is also "industrial" in type and policy. Herein the three unions in the *Triple Alliance* meet on common ground, and their agreement is highly significant in that *it marks a further advance for industrial unionism as opposed to craft unionism—the storm centre of modern trade-union developments.* As regards the mining industry, the struggle is really decided owing to the strength of the M.F.G.B., and events show the all-grades movement of the N.U.R. to be most effective and suitable for modern railway conditions, *e.g.* :—

Grade.	Persons Employed on Railways, 1915.	Members of Railway Trade Unions.
Engine-drivers ... ..	29,869	N. U. R. all grades, members in 1915 = 306,350 and rapidly increasing. Associated Society of Locomotive Engineers and Firemen, 1915, = 32,200 members; nearly stationary in growth. Railway Clerks' Associa- tion, members in 1914 = 29,394; growth small.
Firemen ... ..	27,343	
Guards and brakemen (goods) ...	16,588	
Guards, passenger ... ..	8,427	
Permanent-way men ... ..	52,517	
Permanent-way labourers... ..	19,427	
General labourers ... ..	53,780	
Porters ... ..	61,648	
Shunters ... ..	15,095	
Signalmen and pointsmen ... ..	29,512	
Carmen and vanguards ... ..	25,509	
Mechanics ... ..	88,939	
Clerks ... ..	76,210	
Totals ... ..	504,864	367,944



As with the M.F.G.B. and the Triple Alliance, ~~supreme~~ control of the N.U.R. is centralised in the general delegate conference, and the executive appointed by it. Yet the local "branches" of the N.U.R., like the miners' local "lodges," are active in influencing policy and action; some of the former have a large membership, concentrated in location and mostly coinciding with the big "district" organisations of the M.F.G.B. and the Transport Workers' Federation, as in coalfield and port areas, *e.g.* :— Approximately, 4,400 at Derby; 3,000 at Doncaster; 5,000 at Manchester; 6,000 at Cardiff and Newport; 5,000 at Glasgow; 5,000 at Hull; 5,000 at Liverpool; 10,000 at the North-east ports; 3,500 at Leeds; 5,000 at Birmingham.

This natural *concentration and coincidence of membership* as between the three partners of the Triple Alliance must certainly influence greatly the efficiency and policy of the latter.

Unlike the M.F.G.B. and the N.T.W.F., the N.U.R. includes a National Health Section and provident funds, but these are worked separately so as not to hamper the *active trade policy of the N.U.R.*, which may come within the range of the Triple Alliance's activities, viz., "to organise all railway workers in the United Kingdom; to improve the conditions and protect the interests of its members; to obtain and maintain reasonable hours of duty, rates of wages, and other conditions of labour; to settle disputes between members and their employers, and to regulate the relations between them by the collective withholding of labour or otherwise; to further the interests of members by representation in Parliament and local governing bodies; to provide assistance to members unemployed through unjust treatment, disputes, &c., and legal and other assistance in matters pertaining to the employment of members, &c." The growing membership, resources, up-to-date secretariat, and extensive local organisation of the N.U.R. represent a good backing to this policy.

It is said that nine-tenths of the ineffectiveness of trade unionism has been due to *disputes as to overlapping, demarcation, poaching of members, &c.* This is one chief cause of disputes between the industrial N.U.R., the M.F.G.B., and the craft unions, and also between the N.U.R. and the transport workers' unions, since their spheres meet at every coalfield, port, and railway terminus. Thence arises the *great significance of the inclusion of the National Transport Workers' Federation* in the Triple Alliance, especially as general and water transport is increasingly important in modern industry and commerce.

The successful dock strikes in London, 1889-90, stimulated the

growth of "fighting" trade unions among the dock, waterside, and general labourers. In the same way, the strikes of 1910-12 began another period of growth resulting in the formation of the N.T.W.F. and increased membership of the federated unions; see the Labour Year Book, *e.g.* :—

Year.	Railway Servants.	Tramway Workers, Carters, &c.	Seamen.	Dock and Canal Workers.	Total Transport Trades exclu- ding General Labour Unions.
1904 .. ..	76,999	36,181	17,800	40,692	171,672
1905 ... ..	82,694	35,944	16,859	40,809	176,217
1906 ... ..	102,065	38,310	16,625	43,731	200,752
1907 ... ..	138,887	41,950	17,874	50,495	249,206
1908 ... ..	118,713	41,547	18,767	51,015	230,042
1909 ... ..	112,130	42,759	21,763	47,385	224,037
1910 ... ..	116,214	48,603	25,930	54,476	245,223
1911 ... ..	185,513	85,389	88,575	154,061	513,538
1912 ... ..	202,329	67,467	104,906	140,070	514,774
1913 ... ..	326,192	94,088	125,550	154,122	699,952
1914 ... ..	336,671	96,832	128,921	143,263	705,687

Number of Employees in Transport Industries compared with numbers organised as above :—

1913 ... .. | 504,864 | 311,144 | 292,057 | 408,721 | 1,516,786

The above figures indicate that the trade unions in the railway and transport industries are rapidly increasing their control; as most of them are represented in the Triple Alliance the consequent strategic strength of the latter is significant. The resulting relations between the N.U.R. and the N.T.W.F. (especially as regards arrangements for settling demarcation disputes, schemes of transfer, &c.), and the gain of the latter from union with the M.F.G.B., will help to render more stable and effective the trade unions among general transport workers. For what they need is a greater degree of central control, and resources in finance and organisation. As regards the latter, the N.T.W.F. works chiefly through local "district committees," comprised of delegates from the local unions of the districts concerned. They deal with routine business, report to and act as agents of the central authority of the Federation, whose objects are briefly "the furtherance of amalgamation among its constituent unions; the establishment of an information bureau and of a Transport Workers' Journal," and the organisation of the transport industries in general. The membership of the N.T.W.F. approaches half a million, distributed among 30 unions, with funds of about

£190,000 and income of nearly £300,000, contributing 3d. per member per annum to the Federation :—

Name and Date of Formation.	Normal Pre-war Membership.	Funds.	Income.	Dispute Pay.	Unemployed and Travel- ling Benefit.	Friendly Society Benefits.	Management and Other Expenses.
<i>National Transport Workers' Federation, (1910) :—</i>		£	£	£	£	£	£
Amal. Stevedores' Labour Protection League, 1870...	5,171	3,152	7,510	—	860	—	5,680
Amal. Soc. of Watermen, Lightermen, and Barge-men, 1872...	4,411	5,764	7,175	189	—	2,623	3,054
Dock, Wharf, Riverside, and General Workers' Union, 1887	48,060	30,709	30,808	1,676	31	1,188	18,241
Natl. Union of Gas Workers' and Genl. Labourers, 1889...	134,588	30,298	76,065	16,836	5,834	3,420	29,845
Labour Protection League, 1880...	3,882	69	357	—	—	—	368
Mersey Quay and Rly. Carters, 1889...	9,301	13,013	7,728	213	—	3,291	1,629
Natl. Amal. Labourers' Union, 1889	5,862	6,445	5,024	295	—	598	1,850
" Union of Enginemen and Firemen, 1889	16,209	15,285	12,786	1,053	1,070	822	4,747
Natl. Amal. Union of Labour, 1889...	60,003	12,694	9,889	7,058	—	8,563	15,083
" Sailors and Firemen, 1894...	82,851	31,196	74,401	5,130	—	8,705	38,883
" Union of Dock Labourers and Riverside Workers, 1889	51,755	18,475	28,663	9,202	—	2,619	14,099
Natl. Union of Ship Stewards, &c., 1909	15,316	7,456	9,616	88	—	712	4,639
" of Vehicle Workers, 1888	8,834	317	5,693	165	—	2,383	2,911
N. of Scotland Horse, and Motormen, 1898	9,311	7,499	11,086	7,064	—	5,295	2,336
Scottish Union of Dock Labourers, 1911	8,450	7,756	6,041	2,688	—	247	3,402
United Carters' Assoc. of England, 1890	9,621	4,744	7,040	1,257	—	2,804	3,438
London and Prov. Union of Licensed Vehicle Workers, 1894	15,326	4,044	45,380	33,798	—	2,210	7,408
Upper Mersey Watermen and Porters Association, 1889	2,000	—	—	—	—	—	—
Weaver Watermen's Association, 1889	405	—	—	—	—	—	—
Amal. Genl. and Warehouse Workers' Union of Engine and Crane Drivers...	—	—	—	—	—	—	—
Amal. Society of Salt Workers...	—	—	—	—	—	—	—
Glasgow Ship Riggers' Association...	—	—	—	—	—	—	—
Hull Seamen and Marine Firemen...	—	—	—	—	—	—	—
United General Labourers of London...	—	—	—	—	—	—	—
" Society of Boiler Sealers and Stokehole Labourers...	—	—	—	—	—	—	—
Cardiff-Barry-Penarth Coal Trimmers	—	—	—	—	—	—	—
N. of England Trimmers and Teemers	—	—	—	—	—	—	—

The fact that the N.T.W.F. is affiliated to the International T.W.F. greatly extends the range of possible activities taken by the Triple Alliance through the N.T.W.F., or *vice versa*. The members of the unions in the N.T.W.F. are famed as "hard fighters" and advocates of aggressive trade-union action. Their control of facilities for water transport, gas, and of dock and general transport services in great ports and coalfield centres, and the many points of contact between them and the M.F.G.B. and the N.U.R. as to policy and action, mean an important contribution to the efficiency of the alliance.

The causes for the formation of the alliance arise partly from deliberate intention and partly from underlying conditions; some of the former have been referred to by the President of the Alliance, and of the M.F.G.B., *e.g.* :—"A strike on the railway system immediately affects the miners and the transport workers . . .

whenever any one of these three great sections have struck the others have had to stand by and suffer in silence. . . . The predominant idea of the alliance is that each of these great fighting organisations, before embarking upon any big movement, either defensive or aggressive, should formulate its programme, submit it to the others, and that upon joint proposals joint action should be taken. . . . It is clear to everyone acquainted with industrial development that capital is now organised for the purpose of attacking trade unionism, and for defence against trade-union advance. Should the occasion arise, each section of the alliance must be ready to render sympathetic action, deliberately thought out and agreed upon, should any one of the partners in the scheme be the object of attack. . . . In every case the results of joint action on a large scale should be rapid and decisive, and all the loss inseparable from trade troubles of the past could be prevented in the future. It will be wise, indeed essential, to have the working agreement ready for the days of peace after the war. It is then that we may expect an attack on labour by the employers; it is now, in the midst of war, that we must prepare for the industrial conflicts that the military peace will bring." (Labour Year Book, p. 130 *et seq.*)

Of the 260 million tons of coal raised in 1912 in the United Kingdom, quite 80 per cent. was handled by railway and general transport workers, over 30 per cent. of the output passing overseas through docks and a large quantity besides going coastwise. Thence arises an immediate common liability of the unions in the Triple Alliance, for mutual loss from strikes and lock-outs.

Facilities for joint action by these unions are necessary negatively to prevent mutual loss, positively to make them more efficient for industrial and political action. Coal owners and merchants break a strike in one coalfield by using the railways to bring coal from stocks and other coalfields. The possibility of importation made the miners' general strike in 1912 less rapidly paralysing than had been expected. Railway facilities were used as a set-off against the dock strikes in London and Liverpool and the seamen's strikes preventing the transport of coal coastwise. But as the President of the Triple Alliance observes, joint action could threaten such a stoppage of national production as would force an immediate settlement. The lack of joint organisation for political action weakens the unions in local and national politics; but for this the miners would have forced the Government to name the definite minima in the Minimum Wage Act, and the railwaymen would not have had to accept unsatisfactory terms after State intervention to end their 1910 strikes. The rank and file have been convinced that greater

control of the machinery of government is desirable, not merely to secure legislation, improving their conditions of work and life, but also to give their combined unions a greater share in the decision of national and international affairs, like that held by Parliamentary representatives of other vested interests in industry and commerce.

The movement towards "solidarity" has been operative upon trade unionism for a long period, but it has assisted the new "group" organisation of the Triple Alliance because of many *fundamental conditions of similarity between the constituent unions* as regards (1) their economic conjuncture; (2) their trade-union structure; (3) their policies. These similarities have directly assisted and partly caused the formation of the alliance, *e.g.* : "The miners contented themselves in the first place with securing a joint meeting with the representatives of the two industries most comparable to their own. . . . It was felt that if a working arrangement could first be concluded with a few of the larger sections, afterwards extensions to other groups could be made." The bases of economic similarity are briefly :—

*a.* The three sections of workers are *largely concentrated and coincident in location*, chiefly in the ports, coalfields, and industrial areas—the pivots of the industries concerned.

*b.* As such they have *numerous points of contact and overlap* as regards economic function, policy, and interest.

*c.* In the industries concerned the representative firm is big with massed capital, largely fixed in plant, on account of which

*d.* There is little chance of the employees becoming small masters; their direct interest is rather to improve their position as wage-earners, especially as the mass of fixed capital makes their employers vulnerable through the losses on fixed charges during strikes.

*e.* The firms concerned are *remarkably well-organised* for industrial and political action *as regards their individual sections* (associations of colliery owners, railway, shipping, and transport firms), and *also jointly* by interconnection through directorates, shareholders, agreements, &c.

*f.* The industries concerned are *essential public utilities* (being legally considered as such in Canada), *occupying a monopolistic position* through their relation to natural, legal, and economic conditions, *e.g.*, the limited supply of coal, the necessity for it and the lack of substitutes, the difficulties in promoting new railways, opening new coal mines, &c.

*g.* The operations in these industries are *closely regulated by legislative provisions* giving the employees a common interest in

increasing their political power : *e.g.*, the notorious increase of accidents and fatalities on railways, docks, and in collieries can only be checked by stricter Governmental insistence upon safety precautions, better inspection, and control of speeding-up devices. The seamen's unions urge that the safety Plimsoll mark was raised by, and therefore can be restored by Parliamentary action.

*h.* All the industries are *growing industries* making big demands upon the labour market upon rising terms, and *relatively affected little and alike by boom and depression*. Industrial sectionalism is not highly developed within them, and workers pass easily from one "grade" to another after entering as unskilled or juvenile workers.

*i.* For the latter reason, as regards *personnel* they are *largely open industries, unhampered by apprenticeship regulations, employing a big proportion of unskilled labour* and a small active leaven of skilled workers. The latter thus have a *direct interest in organising skilled and unskilled* in the same "all-grades union," imbued with the spirit of aggressive industrial unionism.

*j.* In all the industries *labour conditions of adult males are well maintained* through the absence of "outworkers," sub-contracting, exploited female and juvenile labour. A small proportion of boys are employed, the female employees on railways are prevented from undercutting rates, no females can work underground, and about a few thousand are surface workers with only a life interest. The miners and the transport workers successfully resisted the entry of females into docks and collieries even as a "temporary" war measure.

*k.* *The relations of the allied unions to political conditions have become increasingly alike : e.g.*, as regards possible nationalisation projects, increased control by legislation and political action.

II. The above resemblances are really *fundamental causes for this "group" alliance of trade unions*, especially as their influence is greatly increased by *similarities between the allied unions as regards structure and policy*. These conditions directly influence the *nature of the Triple Alliance*.

The N.U.R., the M.F.G.B., and the N.T.W.F. are all unions of the "*industrial*" type, organised on a *national scale* so as to include *all grades* of employees within the industries concerned. In all, as in the Triple Alliance, the constitution and methods of control are democratic, making great use of the active local branch, the district meeting, the supreme general conference of delegates controlling an executive with centralised power. Their *membership* is largely *concentrated and coincident in location*, the rank and

file, especially the miners and railwaymen, being well-informed, aggressive, and active in influencing the policy of the official element. In politics, the *personnel* are chiefly Radicals or Socialists (the latter being very strong among the younger generation of miners), not narrowed in trade views by the interests of close crafts, or parochial in outlook through allegiance to local organisations. The origin of the three unions is recent, but their growth is rapid and strong. The policy is aggressive and fighting trade unionism in type, with a strong liking for political and industrial action on a national scale, and a bias against the reckless assumption of friendly society responsibilities, which only the State or the whole community can discharge and cripples the trade unions for trade policy so that they become "mere middle and upper class rate-reducing institutions."

While all three unions adopt a fiercely hostile attitude to non-unionist and "scab" or "blackleg" labour, they oppose strongly the narrow policy of the craft unionism which organises only the skilled workers and maintains sectionalism and inefficiency thereby. They strenuously advocate the national industrial union as the basis of trade-union efficiency, the system of "free transfers" between trade unions as a remedy for demarcation and poaching disputes, and the use of skilled and elected full-time officials controlled by general meetings so as to ensure the elusive combination of internal efficiency in administration with popular democratic control of policy and action.

The M.F.G.B. and the N.T.W.F. have always taken an active part in extending their organisation and policy so as to operate upon an international scale, through international conferences and affiliation. The miners and the transport workers tried to help the Belgian trade unions in the 1911 strike, and have keenly debated the possibilities of international trade-union action as a means to prevent war.

The *programme of what the Triple Alliance may do* is certain to be directly influenced by the policy and nature of the constituent unions indicated above. Other indications are given by the views of its officials; the President has observed:—"We recognise that this is not the time for heroics, and it is unlikely that the drafting of a national programme will take place for some months. . . . The idea behind this agreement is not in any way the formation of a federation. The new body is not to be a rival to any other. Nor is it to be sectional in any sense. There is no suggestion, for instance, that if one section of the miners determines to strike they will receive the assistance of the new alliance.

Action is to be confined to national action. Further, no action will be taken until all three parties have met in conference and have agreed upon the course to be adopted. Sympathetic action in fact is no longer to be left to the uncontrolled emotions of a strike period, but is to be the calculated result of mature consideration and careful planning. The predominant idea of the alliance is that each of these great fighting organisations before embarking upon any big movement, either defensive or aggressive, should formulate its programme, submit it to the others, and that upon joint proposals joint action should then be taken. While the scheme at the moment is not intended to include more than the three trades referred to, *it may well be found advisable later on to extend the scope of the alliance in the general interests of Labour as a whole.* Even now, indeed, it has already been discussed whether the Triple Alliance might not be in a position to help our fellow-workers in the textile industry if, at an adverse moment, they were threatened with a lock-out. Under such circumstances there is every probability that a stoppage of production would cause an immediate settlement." (Labour Year Book.)

Mr. J. H. Thomas, the Treasurer of the Alliance and Assistant Secretary of the N.U.R., has stated:—"The many problems arising out of the war were discussed, and arrangements made to call the full executive together at a later stage. Employers will therefore be wise if they recognised at once that organised Labour is fully alive to the troubles ahead, and is making arrangements to meet them; and members of the rank and file will also do well to note that no efforts will be spared by those in authority in their respective unions to take all steps necessary to safeguard their interests."

The Triple Alliance is thus a mobilisation of the resources and power of the Labour movement, beginning with co-ordination of the interests of a *natural group* of trade unions. The extension of the alliance to include unions in the textile industries, already discussed, would be a great advance, linking up the resources of another natural group of powerful unions. Whatever *extension* takes place *will be on the basis of industrial unionism*, because the Triple Alliance has already refused to admit to its scheme the National Federation of Enginemen, because this *includes a craft union* (the Associated Society of Loco. Engineers and Firemen) *opposed to the industrial policy of the alliance.*

The alliance has already begun *activities* dealing with the suspension of trade-union rules during the war, the industrial conscription policy, the demobilisation plans. A proposal at the



1915 Conference of the M.F.G.B. recommended that "the new organisation should be put into immediate use to enforce the national programme." Its activities are likely to take three directions :—

I. *As regards the constituent unions*, they will have facilities for settling demarcation and transfer problems, for preventing one class of transport facilities being set off against others, for raising levies to support industrial and political action, and, above all, for taking means for preventing mutual loss from ill-judged strikes, and for making the latter effective on a joint national scale. The combined *political power* of concentrated membership in the coal-field and port constituencies can be effectively used in local and national government. The position of each union in its industry and in trade-union and national affairs in general will be greatly consolidated.

II. *As regards trade unionism generally*, the Triple Alliance strongly turns the balance in favour of *industrial* as against *craft* unionism, and may well precipitate the victory of the former. It indicates a solution of the problem of attaining solidarity while respecting individual interests, which has baffled the trade unions for over a century. The Triple Alliance is a group alliance that may open the way for a *federation of similar group alliances* of metal workers, general labour, textile workers, &c. ; that will serve as the necessary central authority for trade unionism in place of the heterogeneous and futile general *trades union*, or general federation, unable to adjust conflicting interests for securing joint action. The Triple Alliance will certainly give an advanced policy and an aggressive lead for new developments of trade unionism.

III. *As regards the State and national affairs*, the Triple Alliance is of vital significance. Its *political power* is likely to be considerable when fully organised and applied. Its *economic power is sufficient to call a general strike that would paralyse most national activities within a few days*, unless the leaders' terms were conceded. If the proposals of the M.F.G.B. for the nationalisation of all mines, mining royalties, and means of transport are enforced, the unions in the Triple Alliance will demand a direct share in the national control of these activities on Syndicalist lines. The Syndicalist members of the M.F.G.B. therefore regard the alliance as a direct means towards applying their policy. If the State and the Triple Alliance come to grips, as is inevitable should the paralysing strike be declared and force State intervention to save the nation from economic stagnation, the politico-economic problem involved admits of only one method of solution. The State

cannot control the policy of the unions in the Alliance because, on grounds of class bias and vested interests, they suspect the Governmental authorities; the State cannot suppress the activities of the alliance, because that policy failed with the Combination Acts in 1825, and in South Wales in 1915. The State would then be forced to take the trade unions of the Triple Alliance into partnership as the official agencies to whom must be delegated considerable control over their respective industries. It is in these politico-economic respects that the activities of the alliance have most significance; for the aggressive forces behind the 1913 resolution of the M.F.G.B. that led to the alliance, and also the rank and file of the constituent unions, intend that the alliance shall be used as a means to an end—greater control for Labour over the industrial and political affairs of the nation. There is certainly scope and need for some such method of “democratising” the machinery of government.

G. R. CARTER

NOTE.—A recent Press report of the first full meeting of the official Executive Committee of the Triple Alliance is of interest:—“The general policy of the Alliance, especially in relation to after-the-war problems, was embodied in a programme drawn up by the Special Sub-Committee. This included a demand that all departures from trade union practices sanctioned during the war should terminate with the war. It was also declared to be the duty of the State to provide work or full maintenance for all war workers when their war work ceases. The meeting called upon the Government to organise demobilisation, so that all workers shall be re-absorbed gradually into their civil work, and to arrange for a period of rest at full pay for all ex-soldiers. The institution of a registration bureau with management powers to deal with the transition stage is also recommended, and it was demanded that the State shall guarantee full employment to all soldiers. The Premier, the Secretary for War, and the President of the Board of Trade will be asked to receive a deputation on the subjects. . . .”

## THE RELATION BETWEEN UNEMPLOYMENT AND SICKNESS

THE relation here discussed is not that between unemployment and sickness in general, but between the incidence of unemployment and sickness expressed in the statistics of a single trade union—the Amalgamated Society of Engineers.

The cyclical movement in the number of trade unionists receiving unemployed benefit is a matter of common knowledge, but that a similar cyclical movement occurs in the percentages of men in receipt of sick pay is not so generally recognised. *A priori* one might expect some such movement, and it might be argued that the incidence of sickness would tend to vary inversely with that of unemployment. For if, as is suggested by Mr. J. W. Ramsbottom (ECONOMIC JOURNAL, Vol. XXIV., p. 393), certain diseases, such as pneumonia, are in some measure the result of fatigue, one might expect that periods of brisk trade, when unemployment is at a low ebb, would be periods in which a higher degree of sickness would manifest itself. Moreover, in so far as sickness is a subjective risk, one would suppose that when earnings are high and employment good, the numbers on sick benefit would grow, because men would be able to afford an illness, and would be less likely to remain at work when they ought to be receiving medical treatment. In times of depressed trade, on the other hand, men would have every incentive to remain at work, for fear that an interval of sickness might mean that their places would be taken by others, and that they would find themselves shut out of the industrial theatre altogether.

As a matter of fact, the reverse relationship holds good. Periods of low unemployment are also periods of low sickness percentages, and a high degree of unemployment is normally associated with a high degree of morbidity—if the percentage of men in receipt of sick benefit is, indeed, a criterion of morbidity.

In the table below are set forth the averages of the monthly returns of members of the A.S.E. receiving unemployment, sick, and superannuation benefit, expressed as percentages of the total number of members at the end of the year, for each year from the inception of the society in 1851 to 1914. The figures are taken

from the Annual Report of the A.S.E. for 1914. Outstanding maxima in the case of sick and unemployment benefit are indicated by heavier type.

Year.	Number of members at the end of each year.	Percentage on unemployed benefit.	Percentage on sick benefit.	Percentage on superannuation benefit.	Year.	Number of members at the end of each year.	Percentage on unemployed benefit.	Percentage on sick benefit.	Percentage on superannuation benefit.
1851	11,829	1.6	1.4	0.1	1883	50,418	2.3	2.2	2.4
1852	9,737	8.4	1.5	0.3	1884	50,381	5.1	2.3	2.6
1853	10,757	0.8	1.5	0.3	1885	51,689	6.2	2.4	2.7
1854	11,617	1.3	1.5	0.3	1886	52,019	7.4	2.5	2.8
1855	12,553	3.5	1.7	0.3	1887	51,869	6.3	2.5	2.9
1856	13,405	3.2	1.7	0.4	1888	53,740	4.2	2.5	3.0
1857	14,299	3.7	1.7	0.4	1889	60,728	1.9	2.2	2.8
1858	15,194	9.8	2.4	0.5	1890	67,928	1.6	2.2	2.7
1859	17,790	3.4	1.7	0.6	1891	71,221	3.0	2.5	2.7
1860	20,935	1.2	1.6	0.6	1892	70,909	6.9	2.4	3.0
1861	22,862	3.2	1.7	0.6	1893	73,526	8.0	2.4	3.1
1862	24,234	6.5	1.8	0.6	1894	75,510	8.4	2.3	3.2
1863	26,058	5.4	1.9	0.6	1895	79,135	6.1	2.6	3.3
1864	28,815	2.3	1.8	0.7	1896	87,313	3.0	2.1	3.1
1865	30,984	1.8	1.8	0.8	1897	91,944	14.8	2.3	3.2
1866	33,007	2.4	1.6	0.7	1898	83,564	8.1	2.2	3.8
1867	33,325	6.6	1.9	0.8	1899	84,957	2.4	2.4	4.0
1868	33,474	8.3	2.0	0.9	1900	87,672	2.0	2.4	4.1
1869	33,539	7.8	2.1	1.1	1901	90,943	2.6	2.2	4.2
1870	34,711	4.2	2.1	1.2	1902	93,252	4.4	2.4	4.5
1871	37,790	1.3	1.9	1.1	1903	95,403	5.0	2.4	4.7
1872	41,075	0.9	1.7	1.0	1904	96,106	5.6	2.3	4.9
1873	42,382	1.1	1.7	1.0	1905	98,666	4.5	2.3	5.0
1874	43,150	1.6	1.8	1.0	1906	104,871	2.8	2.3	5.0
1875	44,032	2.4	1.9	1.1	1907	110,084	2.9	2.3	4.8
1876	44,578	3.6	2.0	1.2	1908	108,120	10.2	2.5	5.0
1877	45,071	4.7	2.1	1.1	1909	107,140	9.5	2.5	5.4
1878	45,408	6.5	2.2	1.2	1910	110,733	4.5	2.3	5.4
1879	44,078	13.3	2.4	1.8	1911	121,469	2.6	2.2	4.9
1880	44,692	5.9	2.2	2.1	1912	143,998	2.4	1.9	4.2
1881	46,101	3.5	2.2	2.2	1913	161,055	1.5	2.2	3.7
1882	48,388	1.8	2.2	2.4	1914	174,253	2.2	2.1	3.4

In the percentages of men receiving sick benefit, in addition to the cyclical movement corresponding to that of the unemployed percentages, there is a secular change, the figures showing a distinct upward trend during part of the period. But this is not a very serious matter, and the usual method of measuring the association between two series gives, between unemployed and sick percentages, a positive coefficient of correlation of 0.44 with a probable error of 0.07.<sup>1</sup>

<sup>1</sup> Evidence that a similar relation exists in other unions can be drawn from the tables and charts showing Expenditure on Chief Benefits in 100 Trade Unions (1901-10) in the *Report on Trade Unions, 1912, Board of Trade (Labour Dept.)*, Cd. 6109; but no numbers or percentages of men in receipt of benefits are given.

As is so often the case in economic affairs, probably no one cause in itself is sufficient to explain such a result. Partly, perhaps, it is to be explained by the simple fact that men are healthier when they are reasonably busy; partly by the fact that unemployment and short time, which bring deprivation of the comforts and, perhaps, of the necessities of life, naturally lead to sickness. In support of the latter contention it may be pointed out that, in the table above, maxima of sick benefit are sometimes found to occur the year *after* maxima of unemployment, *e.g.*, in 1863, 1869, and 1895.<sup>1</sup>

But it is difficult to avoid the conclusion that there is also a psychological cause in operation, and that the incidence of sickness is not entirely an objective risk. In other words, the fact that a man is insured against sickness by his trade union may be a factor tending to increase the percentage of men claiming benefit in periods when there is not the incentive of high weekly earnings to keep them at work. Cases are known to the writer personally of trade unionists who, being also members of other friendly societies, are actually better off financially when on benefit than when in full employment; and where this is not the case, it must often happen that the difference in income will not be sufficient to induce a lazy man to suffer the discipline and fatigue of the workshop, if they can be avoided. In such circumstances there is demanded a high standard of character among the rank and file of trade union members if malingering is not to occur to a considerable extent.

A glance at the column of figures relating to superannuation benefit will suffice to show that the number of superannuated members of the A.S.E. has risen continuously, the fall in the percentages since 1910 being due to the rapid influx of new and young members into the society, rather than to any falling-off in the numbers superannuated. But it is worthy of note that the percentages of men receiving superannuation benefit tend to rise most rapidly in periods following years of acute unemployment. Thus, for instance, the superannuation percentage leaps up in 1869, 1879, 1898, and 1909—in each case the year of, or the year following, the crest of the wave of unemployment. It appears likely that many men over fifty-five years of age, who otherwise would have remained in employment, become superannuated when employment is contracted. But such a connection must not be

<sup>1</sup> The relatively small percentage of sickness associated with the abnormal unemployment of 1897 is probably not unconnected with the great engineers' dispute of that year; possibly men were receiving strike pay who would otherwise have been in receipt of sick benefit.

pushed too far, for the number of men eligible for superannuation to-day obviously depends on the number who entered the society twenty-five or thirty-five years ago.

The Annual Report of the Amalgamated Society of Engineers for 1915 is not yet published; but the effects of the continuation of war on the numbers of men in receipt of benefits can be seen from the following figures, relating to January, 1915, and January, 1916, extracted from the *Monthly Journal and Report* of the society for February, 1915, and 1916, respectively:—

	No. of members.	On unemployed benefit.	On sick benefit.	On super- annuation benefit.
January, 1915	175,347	1,185(770)	4,276	5,844
January, 1916	206,265	534(411)	3,613	5,397

The numbers in brackets are those of the members in receipt of unemployed benefit who are in branches of the society abroad; they are included in the totals given. The average of the monthly returns of members on benefits for 1915, expressed as percentages of the total number of members at the end of the year, are as follows:—

	No. of members at end of year.	On unemployed benefit.	On sick benefit.	On super- annuation benefit.
1915	205,177	0.3 per cent	1.8 per cent.	2.8 per cent.

These figures, which are comparable with those of other years in the table above, break several records. The increase in membership far and away exceeds that of any previous year. The percentage of unemployment is by far the lowest in the history of the society; and of the members in receipt of unemployed benefit, 73 per cent. are in branches of the union abroad, and most of the remainder are men employed on repair work, at the ports or elsewhere, who are temporarily out of work between the conclusion of one job and the beginning of another. Sickness has touched the lowest point recorded since 1874, and the percentage of superannuated members is lower than that of any year since 1891.

The explanation is not far to seek: it is the demand of the nation for the munitions of war that has reduced unemployment among engineers to a negligible quantity and has called back the veterans to the industrial ranks. But the fact that causes most surprise is the smallness of the number of men in receipt of sick benefit. Again it appears that high earnings—though small compared with those of the semi-skilled man, who has superseded the skilled turner on machine work—are a prophylactic against the

temptation to claim sick benefit. It may be that workmen suffering from minor ailments are having a series of spells of one or two days away from work, instead of a continued period of illness; and, since a loss of at least three days is necessary before they can "come on the club," such intermittent sickness does not figure in trade union statistics. Perhaps, also, the administration of the Munitions Tribunals, and the necessity of providing the employer, as well as the union officials, with a medical certificate, have something to do with the decrease.

But that the diminution is not due to a lessening of morbidity among engineers is patent to anyone who is brought into touch with these much-reviled men in a centre of munition work like Sheffield: overstrain is written plainly upon their faces. And it is more than a mere desire for gain that is reflected in the lower percentage of men applying for sick pay. In the case of many of them there is a keen realisation of the part they have to play in this "engineers' war," and a determination that not even ill-health shall be allowed to stand in the way of its performance.

After the war, no doubt, this strain will bear fruit in an increase of genuine sickness; the patriotic impulse will no longer operate to keep at work men suffering from minor ailments; and there will be no inflated earnings to deter the malingerer from his evil ways. Nor need we be too harsh in our judgments if the number of men who claim benefit on account of ill-health, without any obvious disease, increase beyond the normal. One trade unionist expressed to me the other day what many must be feeling: "I have been working for forty-two days now without a single day's rest, and it has been going on like this for months. If, after the war, I feel played out, I shall consider I am quite justified in taking a long rest on the club, if I get the chance."

At the present time the A.S.E. is in a stronger position than ever before in its history. During 1915, as a result of the growth in membership, the smallness of the calls made on its benefit funds, and the almost complete immunity from strikes and lock-outs enjoyed, the General Fund and the Superannuation Reserve Fund have increased by over a quarter of a million; and the society ought, therefore, to be able to face the future with confidence, however dark the horoscope of labour may be.

T. S. ASHTON

## OFFICIAL PAPERS.

*The Recent Development of German Agriculture.* By T. H. Middleton, Assistant Secretary to the Board of Agriculture. [Cd. 8305.] 1916. Price 4d.

---

*Report of the Departmental Committee on Settlement or Employment on the Land of Discharged Sailors and Soldiers.* Final Report, Part II. [Cd. 8277.] 1916. Price 4d.

. This includes the Minority Report. See article (p. 324) above, by Mr. Leslie Scott, a member of the Committee.

---

*Proposals for State Purchase of the Licensed Liquor Trade.* Report of Advisory Committee. [Cd. 8283.] 1916. Price 1d.

---

*Report of the Committee on Edible and Oil-producing Nuts and Seeds; with a Despatch from the Secretary of State for the Colonies.* [Cd. 8247.] Evidence. [Cd. 8248.] 1916. Price 5d. and 1s. 11d.

This Report is of historic importance, in that it preluded the first administrative act taken for many decades past deliberately directed at the exploitation of a British colony for the commercial advantage of the United Kingdom.

---

*Recommendations of the Economic Conference of the Allies at Paris, June 14th-17th, 1916.* [Cd. 8271.] 1916. Price 1d.

---

*Summaries of Evidence before the Sub-Committee on Measures for Securing the Position, after the War, of Certain Branches of British Industry.* [Cd. 8275.] 1916. Price 4d.

---

## OBITUARY.

WILLIAM JOHN MASON.

PROFESSOR CANNAN writes :—

By the death of Captain W. J. Mason, who was killed in the Somme advance on July 3rd, aged twenty-seven, the Society has



lost a Fellow, and I and my colleagues at the School of Economics an old pupil, who showed the greatest promise of becoming in his day one of the foremost of economic teachers.

He was a boy at St. Olave's Grammar School, Southwark, for no less than ten years, and is remembered there as frequently in the chair at the meetings of a small school society for economic discussion. He was sent up for classical scholarships; but the old universities neglected their opportunity, and in a moment of passing lassitude, as he told me, he sought refuge in the peaceful but inglorious haven of the Exchequer and Audit Department. But intellectual interests at once reasserted themselves, and he entered for the London B.Sc. (Econ.) course as an evening student at the School of Economics. He passed the Intermediate of 1910, and obtained a first class in the Final Examination of 1912 with ease. As he had been the mainstay of my discussion class, showing great capacity and tactfulness in dealing with the difficulties of students, it was soon afterwards arranged that he should give assistance with essays and evening classes, but he retained his position in the Civil Service until he was appointed Lecturer in Economics at the University of Bristol at the beginning of 1914. I hoped to examine the pupils of my pupil there in 1915, but it was not to be. The *Olarian*, his school magazine, for July says:—

“On the outbreak of war he joined the Bristol O.T.C. (he had previously spent four years with the Civil Service Rifles), and was gazetted to the Gloucestershire Regiment in November, 1914. He was gazetted lieutenant in February, 1915, went to the front in July, 1915, and was promoted to be captain as from January 1st, 1916. His letters from the front, some of which have appeared in the Magazine, have shown the same hatred of war with which all our noblest have taken up their weapons, the same sense of inevitable duty, the same unquestioning resolve. And in perhaps the last letter he wrote occur the following words, addressed to one of the army chaplains at the front: ‘If anything happens to me, will you please let those dear people of mine at home know that I have gone out knowing full well that the sacrifice will not be in vain, and that it was for the future, for unborn generations of Englishmen, and the liberty of a continent . . . and that war by machinery may be banished for ever.’”

We can almost hear Satan chuckle when such a man falls and leaves the world more completely to the stupid and the blood-thirsty of both sexes. But the Devil has overdone things this

time : a war in which half the world is allied is unfavourable to nationalism, and a war which is the biggest ever seen will be followed by the biggest reaction.

FREDERIC HILLERSDON KEELING.

THE Society has also lost in the Somme advance a Fellow of great promise as a student of social and economic conditions and already a valued contributor to the JOURNAL by the death of Sergeant-Major Frederic Keeling, of the 6th Duke of Cornwall's Light Infantry, who fell in a German trench at the head of his bombers on August 18th, 1916.

Frederic Keeling, who was in his thirtieth year, was educated at Winchester (a fact which in his aversion to "the public school tradition" he was sometimes inclined to conceal) and Trinity College, Cambridge. At Cambridge he was celebrated for many exploits vindicating the position that Socialists were as much entitled as rowing men, amongst whom, nevertheless, he made converts, to an assured and respected position in University Society. Virtually re-founder of the Cambridge University Fabian Society, he was President of the Society, being succeeded by Rupert Brooke, at the second heyday of its celebrity and influence.

After leaving Cambridge he lived for some years in a workmen's dwelling in South London, subsequently becoming a Manager of the Leeds Labour Exchange. During this period he produced his book on the Regulation of Child Labour. A short time previous to the war he had returned to London, and was occupied, amongst other activities, as a frequent contributor to the *New Statesman*, editing the Blue Book Supplement. Very soon after the outbreak of war he enlisted in the ranks of Kitchener's First Army. Keeling rapidly rose to the position of Sergeant-Major, scornfully refusing, in accordance equally with his character and with his theories, any suggestion that so grand an authority as a Sergeant-Major should lower himself by accepting the commission of a subaltern. During the considerable period of his battalion's training at Aldershot and on Salisbury Plain, Keeling was exceedingly happy, experiencing in his platoon and his battalion an intense feeling of the corporate community of life, which he had always craved for and preached. He had been used to argue, to the laughter of his friends, the immense spiritual advantages of, for example, eating in common, and in the New Army his instincts and his activities were satisfied. Editing the Battalion Magazine, organising cross-country runs, declaiming on the probable

superiority of the First Army even to the mythical merits of the Expeditionary Force, the father of his platoon, the equal friend of his officers, a visitor to Keeling at the Sergeants' Mess at Aldershot could not but feel that his eager and uproarious mind had at last happily synthesised communism and comradeship and equality-in-diversity of class.

For many months past he had been in France, already once wounded, constantly on dangerous and exacting duties with his company of bombers. Though his mental as well as his bodily activities were now much occupied with trench construction and the use of bombs, he was still pondering the old questions, and characteristically arguing in a recent letter how much would be gained if only we could be got into the habit of calling the Empire the "Commonwealth." Lately he had been much tinged with the melancholy and sad foreboding of those who have seen too much in France and lived too long in its shadow. But he wrote to me a few weeks ago:—"I and my men are certainly in the best of spirits now. We all of us dread being in any big show, but I think we could go in with as good a heart as need be if necessary." The Commonwealth, turned devourer of its noblest lovers, has swallowed up his beard, his laugh, and his robust passions for men and women and humankind.

J. M. K.

#### CURRENT TOPICS.

THE following have been elected to membership of the Royal Economic Society:—

Capt. H. C. Agnew	J. Hilton
Rev. E. F. Allen	H. W. Houghton
T. S. Ashton	G. B. Jathar
F. Blomley	G. Lagercrantz (life)
T. C. Breen	W. McFarlane
A. C. Chatterjee	T. Munro
W. H. Cocker	R. D. Pullar
Commendatore Paolo Conte	A. M. Samuel
T. Dunne	T. H. Sanders (life)
C. C. Ellis	A. C. Sen-Gupta
A. R. Fikry	J. M. Steele
A. H. George	J. A. Taylor
Prof. J. P. Grossmann	H. K. Vere-Hodge

Turin University Library has been admitted to subscribing membership.

ON June 26th, 1916, being the Commemoration Day of Glasgow University, a presentation to the University took place of a Memorial to the late Professor William Smart, first occupant of the Adam Smith Chair of Political Economy. The presentation consisted of a memorial brass and of Dr. Smart's private library on economics and kindred subjects, which had been acquired by a Memorial Committee and placed in the Political Economy Class library. Dr. Wm George Black made the presentation on behalf of the subscribers, Sir Donald MacAlister accepting it on behalf of the University. Professor Scott explained that the class library was originally formed by Dr. Smart, who was an exceedingly generous donor to it, and that there was a peculiar appropriateness in having it supplemented now by his own private library. Professor Smart's interest in economics was especially catholic, and the library is of great value and very varied character, the collection of Government reports and publications alone numbering about 2,000.

A VERY successful three days' conference was held in Oxford in July, under the auspices of Ruskin College, for the discussion of questions of industrial reorganisation after the war. Fifty-two working-class associations, including Trade Unions, Trades Councils, Co-operative Societies, and other bodies, were represented by eighty-three delegates. Papers were read on the following subjects:—"The Problems to be Faced" (Professor A. C. Pigou), "How Readjustment may be Facilitated after the War" (Mr. Arthur Greenwood), "How to Pay for the War" (Mr. Sidney Webb), and "The Future Control of Industry" (Mr. A. E. Zimmern). The papers were followed by full discussions, which were in each case opened by a well-known representative of Labour. A full report of the proceedings has been published in book form, price 7d. net, which can be obtained by application to the Secretary, Ruskin College, Oxford.

## RECENT PERIODICALS AND NEW BOOKS

### *Journal of the Royal Statistical Society.*

- MARCH, 1916. *The Register of Belgian Refugees*. T. T. S. DE JASTRYEBSTRI. *Statistical Enquiries Needed after the War in Connection with Eugenics*. MAJOR L. DARWIN. *Prices of Commodities*. SIR GEORGE PAISH.
- MAY, 1916. *War Finance*. SIR GEORGE PAISH. A sanguine estimate. *Cost of Food for an Adult Woman*. MISS C. E. COLLET. An expenditure of 8s. 3d. at present prices is the minimum necessary to efficiency. (1) *Error of Statement of Ages of Young Children*. (2) *A Rapid Method of Calculating an Average Age*. J. C. DUNLOP. *The Normal Law of Progress*. PROF. R. A. LEHFELDT. A formula involving the law-of-error suited to represent progressive quantities such as population or amount of trade.

### *The Political Quarterly.*

- JUNE, 1916. *War and Supplies in Reference to Wool*. PROF. D. H. MACGREGOR. The facts bearing on the supply of the raw material—*e.g.*, the magnitude of the world's supply of wool, some 3,000,000,000 lb., the working of the embargo on export from England, the diminution of the "expectable" imports through drought abroad, also the pressure on our supply of machinery and labour, and financial arrangements relating to the textile trade—are set forth in detail. *The Increase of Production in Agriculture*. C. S. ORWIN. "The total crops of the three chief cereals—wheat, barley, oats—grown in this country supply a larger quantity of cereal food per head than is now eaten" (Rev). The possibility of supporting ourselves through a long blockade depends upon the temper of the nation, which may be trusted. Breaking up grass-land to grow corn would not mean less meat and milk, but less hay and more straw. The "industrialising of agriculture" would increase production and afford an opening to returned soldiers. *Trade in War-time*. UNSIGNED. The value of imports (excluding re-exports) increased in 1915, compared with 1913, by nearly £100,000,000; the value of British exports fell by over £140,000,000. The increase in the value of exports was mainly due to the rise in the price of foodstuffs, the *quantity* of which imported was less than in 1913. The production of more food at home and restriction on silks and other "unnecessary imports" are recommended.

*Women's Industrial News.*

JULY, 1916. Pope's question, "Why has not Man a Microscopic Eye?" is provoked by this periodical, which buries valuable writings under illegibly small print, and especially by the discovery of so admirable a contribution as Miss ELEANOR RATHBONE's article on *Equal Pay for Equal Work*.

*Quarterly Journal of Economics* (Cambridge, Mass.).

MAY, 1916. *Minimum Wages for Women*. F. W. TAUSSIG. To ascribe the low wages of women to parasitism is to ignore the economy of family life—that most successful example of expense reduced by co-operation. If a family is worse off when a young woman drops out of it, she is not a parasite, though earning less than the minimum necessary for an adult living separately. Not in parasitism, nor in the oppression of employers, nor in want of bargaining power is the main cause of the low wages of women, but in their numbers. Is it desirable to reduce the number by fixing a minimum wage? Prof. Taussig does not advocate *laissez-faire*, but he sees a difficulty in fixing a minimum for members of a family—like ascertaining the separate supply price of one among a group of commodities produced at joint cost. *Economic Value and Moral Value*. R. B. PERRY. *The Extent of Labour Organisation in the United States in 1910*. LEO WOLMAN. *Electrical Rates: the Load Factor and the Density Factor*. G. P. WATKINS. *Depreciation and Rate Control*. J. C. BONBRIGHT.

*The American Economic Review* (Boston).

JUNE, 1916. *Tax Exemption through Tax Capitalisation*. T. S. ADAMS. The doctrine that "subsequent purchasers" of land and other property subjected to a tax are free from that tax is disputed. *Valuation of Railroad Right of Way*. A. N. SAKOLSKI. *Trade Organisation in China*. A. C. MUHSE. *Wage Theories in Industrial Arbitration*. W. COMPTON. The absence of uniform theoretical standards for the adjudication of wage controversies is pointed out, with special reference to American and Australasian experience.

*The Journal of Political Economy* (Chicago).

JUNE, 1916. *German War Finance*. M. CHASE GOING. A well-documented and instructive exposition. *The Failure of Government Ownership in Canada*. S. O. DUNN. "The Canadian State railways are an utter financial failure." *American Business and Finance after the War*. H. PARKER WILLIS. Owing partly to the new "Federal Reserve" system, partly to the war, there has been established in the United States a discount market capable of financing foreign trade. The opportunity of shifting a considerable volume of business from Europe to the United States should be seized.

JULY 1916. *Index Numbers of the Prices of Stocks*. WESLEY MITCHELL. Stock indexes agree rather better than commodity

indexes as to the direction of change from year to year, but in measuring extent of fluctuation over long periods they differ from one another much more than commodity indexes. Discussing the niceties of the subject—the principle of weighting, the choice of means, the discrepancy of purposes—the expert statistician finds, among other conclusions, that a “general-purpose” series would be improved by using geometric instead of arithmetic means in forming the annual averages from the monthly prices. *Some Impending National Problems.* IRVING FISHER. The problems are to ensure the peaceful pursuit of international commerce (not after the way of the extreme pacifists); to preserve national resources (as proposed by the National Conservation Congress); to improve the efficiency of labour (by drastic Governmental action); to minimise inequality in the distribution of wealth (evidenced by the facts that the major part of capital in America is owned by less than 2 per cent. of the population, half the national income is received by a fourth of the population). *Trade and Industry in Ireland in the Sixteenth Century.* SUSAN LOUGH. A lucid sketch.

*The Annals of the American Academy* (Philadelphia).

MAY, 1916. *Personnel and Employment Problems* is the collective title of this number, covering more than thirty articles on various aspects: “The human element in industrial management,” the waste attendant on “hiring and firing” employees, how to reduce “the labour turnover,” &c.

JULY, 1916. *Preparedness and America's International Program.* Under this heading are discussed *Plans for a Durable Peace*, by Prof. Patten, Prof. W. Hull, and others; *American Foreign Policy*, to which Prof. M. J. Bonn, of Munich, contributes an article on *Germany and the Monroe Doctrine* (the latter has nothing to fear from the former); *The Pros and Cons of Military (including Naval) “Preparedness.”*

*Bureau of Labour Statistics* (Washington).

*Labour Legislation of 1915.* A review and abstract of legislation relating to labour in the United States (December, 1915).

*Summary of the Report on Condition of Woman and Child Wage-earners in the United States.* A conspectus in a single volume of a report occupying nineteen volumes, some of which have been noticed in the ECONOMIC JOURNAL (December, 1915).

*Unemployment among Women in Department and other Retail Stores of Boston.* (January, 1916.)

*Journal des Economistes.*

JUNE, 1916. *Profits d'impôts.* YVES GUYOT. *Les finances de la ville de Paris.* G. SCHELLE. *Problèmes italiens d'après guerre.* M. PANTALEONI. *L'impôt général sur le revenu.* E. FALCK.

JULY. *Le privilège des bouilleurs de cru.* YVES GUYOT. *La conférence économique.* TESTIS SENIOR. A discreet interpretation of the resolutions passed by the Economic Conference is followed by the text. *Ce que sera l'agriculture française au lendemain de la guerre.* A. BECKERICH. The “industrialisation” of agriculture will tend to a reduction of prices.

*Revue d'Economie Politique* (Paris).

- MARCH-APRIL. *L'Or et le Change*. CHARLES GIDE. A lecture in which the leading propositions respecting money in international trade are restated felicitously, with the corollary that the Bank might be less cautious in parting with gold. The public is not like doubting Thomas; the sort of faith called *credit* does not require that gold should be actually touched. *Les Dardanelles et les Céréales roumaines*. D. BELLET. *La réalité et la personnalité dans l'impôt*. A. ACHARD. Abstractly taxation of personalty seems juster, but it presents difficulties in practice. *Les moyens de relever la natalité*. COMMANDANT PAUL SIMON. Chief among methods for raising the birth-rate is the appeal to self-interest, under which head it is proposed to tax bachelors in this wise. If  $i$  is the annual cost of rearing a child, every unmarried man shall pay a tax of  $4i$ ; if he marries, the tax will be reduced to  $3i$ ; to  $2i$  if he has one child; to  $i$  if he has two children; he who has three is to be free from the tax.
- MAY-JUNE, 1916. *Le commerce extérieur de la Russie pendant la guerre*. M. LAUWICK. *Quelques données sur l'agriculture espagnole*. D. BELLET. *La Crise du coton aux Etats-Unis*. M. DEWAVRIN. *Le mouvement des prix en Suisse*. P. GROSS. The slight decline in prices (from a previous rise) observable in Swiss prices after 1912 was "brutally interrupted" by the war.

*Scientia* (Bologna).

- L. 6. 1916. *La guerre, la paix, et l'accroissement de la population*. KNUT WICKSELL. The general decline in birth-rate is expected to conduce to peace.
- LI. 7. *On Repairing the Waste of War*. W. R. SCOTT. An elaborate estimate of the waste is followed by an encouraging forecast of the reparation. *I principali effetti economici mondiali dell'interruzione degli scambi internazionali*. F. VIRGILII.
- LII. 8. *The Economic Dynamics of War*. J. B. CLARK. War is a kind of economics admitting of some general principles. Thus a nation considered as "a cool, reasoning organism—a vast calculating machine"—will not prolong a war beyond the point at which the cost in life and treasure, military as well as economic efficiency, ceases to be balanced by gains estimated in a similar large sense. The calculation of interests is particularly appropriate in a war of attrition, carried on in modern trenches by disciplined troops, where the influence of chance and strategic genius is reduced to a minimum.

*Giornale degli Economisti* (Rome).

- MAY, 1916. *Fenomeni economici della guerra*. II. M. PANTALEONI. A *post-bellum* economic treatise would adduce many recent facts, but none novel in the sense of superseding the old economic doctrine that the State is incapable of exercising commercial and industrial functions: *pace* Protectionists and Socialists. Among the non-economic effects of the war the destruction of the human aristocracy is prominent: not only the loss of the best natures, but also the deterioration of those who survive. "The aristocracy of humanity will be changed in many of its fundamental attributes in the direction of an approach to the German type of disciplined brutality,



hypocrisy, want of faith and honour, imperialist megalomania, and a departure from the Anglo-Latin humanitarian type," which is all the reverse—gentle and pacific. The purely economic losses are next estimated. *Le miniere di Zolfo nella Sicilia*. P. COLAJANNI. *Sulla teoria della curva di Utilita*. L. AMOROSO. An interesting criticism of W. Johnson's article in the ECONOMIC JOURNAL for December, 1913; arguing that its fundamental conception is essentially Paretian.

JUNE. *I fenomeni economici della guerra*. III. M. PANTALEONI. Resuming the fiscal problem the writer recommends with his usual vigour three measures: economy in administration, economic freedom (absence of paternalism, protectionism, &c.), reform of the fiscal system. His proposals for reform of taxation are introduced by a remarkably clear exposition of monetary inflation produced by the action of banks. *L'integrazione industriale*. G. N. CRIMI. *L'istruzione professionale nell'economia nazionale*. R. BACHI.

JULY. *I Contadini di Troja (Foggia)*. G. CURATO. A detailed description of the economic conditions of a particular commune, on the lines of the recent Parliamentary inquiry on the conditions of the agricultural population in South Italy. *La politica commerciale Italiana*. A. FRANCHETTI. (The tenth number of a series which is still to be continued.) *Contributo al metodo delle minime differenze*. L. AMOROSO. A study in interpolation and cognate mathematical problems.

#### *La Riforma Sociale* (Turin).

MAY—JUNE—JULY, 1916. *Economic Problems of Peace*, introduced by Prof. L. Einaudi, comprises the resolutions of the Manchester Chamber of Commerce of February 16th, 1916; J. M. Robertson's essay on tariff policy after the war, published by the Cobden Club; and Sir Hugh Bell's article in the March number of the ECONOMIC JOURNAL. *The Project of a Zollverein of the Central Powers* is discussed by Prof. Michels, with references to many German writers on the subject (Diehl, Eulenberg, Jastrow, Naumann, Philippovich, &c.) *Industrial Italy of Yesterday and To-day*, and the economic problems which will be urgent after the "present tragical parenthesis," are considered by PROF. G. PRATO.

## NEW BOOKS.

### *English.*

CRESSY (EDWARD). *An Outline of Industrial History*. With special reference to problems of the present day. London: Macmillan and Co. 1916.

CURTIS (L.). *The Commonwealth of Nations*. An inquiry into the nature of citizenship in the British Empire and into the mutual relations of the several communities thereof. Part I. Edited by L. Curtis. London: Macmillan. 1916. Pp. 706.

CUNNINGHAM (W.). *English Influence on the United States*. Cambridge University Press. 1916. Pp. xii+168. 4s. 6d. net.

[Essays on the subjects of addresses delivered by the Archdeacon in American cities.]

FARROW (T.) and CROTCH (W.). *The Coming Trade War*. London: Chapman and Hall. 1916. Pp. 164. 2s. 6d. net.

[“As a result of many months of anxious thought and searching investigation” the authors “have propounded a plan whereby new markets can be secured for British enterprise.”]

GILL (CONRAD). *National Power and Prosperity*. A study of the economic causes of modern warfare. With an introduction by George Unwin. London: Fisher Unwin. 1916. Pp. xxvii + 81.

HIRST (F. W.). *The Political Economy of War*. London: Dent. 1916. Pp. 344.

[A second edition of the book reviewed in the *ECONOMIC JOURNAL*, with the addition of a chapter on the debts of the Balkan States and Turkey.]

KELTIE (J. SCOTT). *The Statesman's Year-book for the Year 1916*. London: Macmillan. 1916. Pp. 1560.

[The *fifty-third* issue maintains the reputation of this annual. Of special interest are the tables relating to the war; containing statistics of war loans, lists of books on the war, comparison of the population of the Allied and the Central Powers—the latter almost *five* times as great, Greater Britain being included. The Editor has been assisted by Dr. M. Epstein, and the British Empire has been under the care of Mr. A. D. Webb.]

MELROSE (C. J.). *The Data of Economics*. Expressly designed for the general reader. London: Mitre Press. Undated. Pp. 388. 7s. 6d.

SMART (WILLIAM). *Second Thoughts of an Economist*. With a biographical sketch by Thomas Jones. London: Macmillan. 1916. Pp. 189.

[A posthumous work. The biographer was the author's assistant in the work of the Political Economy department in the University of Glasgow.]

WEBB (SIDNEY). *How to Pay for the War*. Being ideas offered to the Chancellor of the Exchequer by the Fabian Research Department. Edited by Sidney Webb. London: Fabian Bookshop and Allen and Unwin. Pp. 271.

WITHERS (HARTLEY). *International Finance*. London: Smith and Elder. 1916. Pp. 185.

[Reviewed above.]

WOOLF (L. S.). *International Government*. Two reports by L. S. Woolf, prepared for the Fabian Research Department, together with a project by a Fabian Committee for a supernational authority that will prevent war. London: Fabian Bookshop and G. Allen and Unwin. 1916. Pp. 259.

[Part I. on International Authority, and Part III., wherein the Committee formulate the heads of an international agreement for the prevention of war, were published in the *New Statesman* for July, 1915.]

### *American.*

ADAMS (ARTHUR B.). *Marketing Perishable Products*. (Columbia University Studies.) New York. 1916. Pp. 180.

BOGART (ERNEST LUDLOW) and THOMPSON (CHARLES MANFRED). *Readings in the Economic History of the United States*. New York: Longmans. 1916. Pp. 862.

[To be reviewed.]

BROWN (H. GUNNISON). *Foreign Exchange*. A study of the exchange mechanism of commerce. New York: Macmillan Co. 1915. Pp. 150.

[Reviewed above.]

BROWN (H. GUNNISON). *Transportation Rates and their Regulation. A study of the transportation costs of commerce with especial reference to American railroads.* New York: Macmillan Co. 1916. Pp. 347.

[Reviewed above.]

CHIN-CHU. *The Tariff Problem in China.* (Columbia University Studies.) New York: Columbia University; London: P. S. King. 1916. Pp. 192.

DEWEY (JOHN). *Democracy and Education. An introduction to the philosophy of education.* New York: Macmillan Co. 1916. Pp. 418.

JANES (GEORGE MILTON). *The Control of Strikes in American Unions.* Baltimore: Johns Hopkins Press. 1916.

PARMELEE (MAURICE). *Poverty and Social Progress.* New York: The Macmillan Co. 1916. Pp. 477.

[“A scientific study of poverty shows how fatuous are most of the measures whose familiar shibboleths are philanthropy, social service, moral reform, and religion.”]

YOUNG (ARTHUR NICHOLS). *The single-tax movement in the United States.* Princeton: University Press. 1916.

### *German.*

DIEHL (v. KARL). *Zur Frage eines Zollbündnisses zwischen Deutschland und Österreich-Ungarn. Zweite unveränderte Auflage.* Jena: Fischer. 1915. Pp. 50.

LIFSCHITZ (DR. F.). *Ueber die Bedeutung Englands für die Theorie der Wirtschaftswissenschaft mit besonderer Berücksichtigung Deutschlands.* Bern: Müller-Frey. Pp. 22.

[The author, *privat-dozent* of economic science in the University of Berne, and the author of several known publications, e.g., *Wertzuwachssteuer*, 1910, *Die Frauenfrage*, 1913, has been urged by a love of fair play to assert the importance of English political economy, which a German economist has recently controverted.]

### *Italian.*

COLAJANNI (C. N.). *Le cause della guerra.* Napoli: Sangiovanni. 1916.

GRAZIANI (A.). *La guerra e le leggi economiche.* Naples: Sangiovanni. 1916. Pp. 40.

[A paper read before the Royal Academy of the Social and Political Sciences in Naples.]

PRATO (GIUSEPPE). *Problemi monetari e bancari nei secoli XVII. e XVIII.* Turin. 1916. Pp. 315.

[This is the third volume of the first series of financial documents of States under the Piedmontese monarchy in the eighteenth century, which are being compiled and published under the auspices of the present Italian Government.]

SELLA (EMANUELE). *La Concorrenza. Vol. II.* Turin: Bocca. 1916. Pp. 583.

[This is the second volume of an ample treatise, the first volume of which was reviewed in the *ECONOMIC JOURNAL* for 1915. The first chapter in the present volume treats of the social utility of competition and the comparability of various economic *régimes*. The subject of the second chapter, the historical persistence and the transformations of competition, includes a discussion of protection and free exchange.]

ZIVARONI (J.). *L'imposte sulle successioni nella finanza contemporanea.* Torino: Unione editrice. 1916.

# THE ECONOMIC JOURNAL

DECEMBER, 1916

## INTEREST AFTER THE WAR AND THE EXPORT OF CAPITAL.

### I.

It is sometimes suggested that, after peace has returned, the real rate of interest at which new capital will then be obtainable must necessarily be equal to the rate that is then being paid on Government loans contracted during the war. This is, of course, a mistake. The 5 per cent. or other rate contracted for on loans made previously can have no direct effect on the post-war rate of interest on new capital. This is not determined by the rate contracted for on war loans, but, in conjunction with the rate so contracted for, itself determines the price which loan stock will sell for in the market. This elementary point cleared out of the way, I shall endeavour in the following pages to discuss two problems, concerned respectively with forecast and with policy. The first is: What is the real rate of interest in this country after the war likely to be (a) if the Government does, (b) if it does not, prohibit the export of British capital? The second is: Is it, on the whole, desirable that the Government should prohibit or otherwise interfere with such exportation? Both these questions seem to be worthy of attention at the present time.

### II.

The real rate of interest, like every other value, is determined by the interaction of the forces of supply and demand. These forces have, therefore, to be analysed, and it is convenient to begin with supply. On this side a dominant influence must be exercised by the magnitude of the income-getting capacity that the community will possess after the war; for, obviously, the larger their income is, the greater, other things being equal, will

be the amount that people are willing and able to turn into capital in response to any given rate of interest. What, then, is the real income-getting power of the community likely to be when peace returns as compared with what it was before August, 1914? It will evidently be made up of two parts: (1) the holding of claims to income from foreigners in the form of interest on capital lent to them in the past, and (2) the current productive power available within the country. We have, therefore, to inquire in turn in what way the war will be likely to affect these two things.

During its progress Englishmen, at first individually, and, later on, through the agency of the Government, have sold abroad a very large amount of American Securities privately held in this country. The Government has also raised two loans, each of £50,000,000, in New York, and it is probable that individuals and companies in England have borrowed considerable sums in one way or another from American bankers. On the other hand, the Government has lent several hundred millions to our Allies and other foreign countries. What the net effect of these transactions upon our balance of claims and debts abroad has been up to the present time it is impossible to say with certainty, because no information is available as to the value of imports of munitions, etc., on Government account. Sir George Paish, in the *Statistical Journal* of May, 1916, has, however, given an estimate, based mainly upon the statistics of foreign trade. His conclusion is: "The amount of capital that Great Britain has called in from abroad since before the war began has been about 500 million pounds, of which 400 million was called in during the past year and about 100 million pounds in the first five months of the war. Almost the whole of this large amount [450 millions is Sir George's estimate], however, has been used to make fresh loans to foreign countries. Consequently, if allowance is made for the increase in the country's stock of gold since war began, it is evident that the nation has succeeded in meeting nearly the whole of its war expenditure out of its income without having needed to draw upon its accumulated capital to any extent worth speaking about, having replaced the capital withdrawn from the United States and other countries with fresh loans to Allies, Colonies, and Neutrals."<sup>1</sup> As has already been indicated, this (or any other) estimate is liable to error owing to lack of data about the amount of imports on Government account. Sir George Paish believes this to

<sup>1</sup> *Journal of the Royal Statistical Society*, May, 1916, p. 271.

amount to about 100 million pounds' worth, but his estimate would seem to be in the nature of a guess. It may therefore well be that, even in May, 1916, the situation was, in fact, considerably worse than Sir George is inclined to believe, and it is practically certain before the end of the war to be much worse. If the war lasts till the autumn of 1917 we are not unlikely to find ourselves down to the extent of, say, 200 millions in respect of our capital claims upon foreign countries. From the present standpoint, however—though the case is very different from the standpoint of those who have to arrange for meeting our obligations during the actual currency of the war—even this is a matter of small importance. It would imply a contraction in income from abroad of perhaps 15 millions a year as against pre-war conditions. In view of the fact that our yearly national income before the war was commonly put at something like 2,000 millions, this sum is practically negligible. Nothing further need, therefore, be said about the foreign part of our aggregate income-getting capacity.

The current productive power available within the country is made up of its land, its industrial plant and machinery, its system of industrial organisation, and its able-bodied and able-minded population. The land not having been affected to any important extent, our attention may be concentrated upon the other items in this inventory. It is quite obvious that, during the war, a great mass of effort, which would normally have been devoted to the construction of new industrial plant and the upkeep of existing plant, will have been devoted instead to the service of soldiering and the manufacture and transport of implements of war. In view of this circumstance, it is certain that the equipment of our industries after the war in respect of plant and machinery, other than munition-making machinery, will be considerably smaller than it would have been at that time if no war had occurred. The question, however, whether it will be smaller than it was before the war is different, and cannot be answered so easily. It is proper, of course, to count the Mercantile Marine as a part of our industrial equipment. A considerable number of ships have been directly destroyed by hostile action, and the loss thus suffered does not appear to have been wholly replaced by new construction; there has been further loss through the adaptation to war purposes of ships which, when peace returns, will need to be re-adapted at some cost; and the injury that shipping has suffered will, no doubt, become still greater before the war ends. As regards industrial equipment

in the more ordinary sense, it has been estimated that, at the prices ruling in 1907, from 170 to 180 million pounds' worth of resources were required every year to make good wear and tear and to provide for renewals in our industrial and agricultural establishment.<sup>1</sup> This sum probably represents somewhere about one-tenth of the aggregate value of the manufacturing and agricultural capital (excluding railways) of the country. Hence, it would seem at first sight that, if no renewals whatever occurred, each year of war would involve a reduction in the plant and equipment of our industry equal to about one-tenth of the whole. This way of putting the case is, however, unduly optimistic, because, if ordinary repairs are neglected for a considerable period, the resultant injury to plant and general depreciation at the end of that period is likely considerably to exceed the sums that would have been required to make the repairs at the proper time. But two important considerations have to be set on the other side. The first is that, as a matter of fact, the upkeep and repair of plant is likely to be one of the last things in which people will economise. Before coming to that they will abandon nearly all new investment, whether at home or abroad, and will restrict their personal consumption. Hence, though an annual contraction substantially greater than one-tenth in our equipment is theoretically possible, a very much smaller contraction than this is the maximum that is practically possible. The second consideration is that, in connection with munition-making, a very large quantity of plant and appliances—especially machine-tools and lathes—have been created and set up. These things, though primarily intended for making munitions, are probably also capable, for the most part, of rendering service in ordinary industry. In so far as this is the case, they must be reckoned as part of our industrial equipment when peace returns. These two considerations taken together make it plain that, though at the end of the war the industrial equipment of this country may be smaller than it was before the war, it will, at the worst, be only a little smaller. In countries which have been the actual scene of warfare, like Belgium and Poland, the situation will, of course, be immensely worse. In the United Kingdom, however, it is not to be expected that even a three-years' war would involve a contraction of industrial equipment by more than a very low percentage.

As regards systems of organisation, there are grounds for believing that the situation may have actually been improved

<sup>1</sup> *Census of Production*, p. 36.

by the war. Artificial and conventional barriers restraining women from working in certain occupations for which they are well qualified have been broken down, and are not likely to be restored in their entirety. Along with many restrictions of a beneficial kind hitherto imposed by the Trade Unions, which have been temporarily suspended, some injurious restrictions as to the demarcation of occupations and, it may be, the limitation of output, have also been removed. It may be hoped that, in the settlement after peace, it will prove possible to separate the chaff from the wheat in these matters, and, while preserving all restrictions that can be justified on hygienic or other solid grounds, to win general agreement for the abolition of the others. Finally, there is the important matter of shift systems. The amount of help that labour receives from capital equipment does not depend wholly on the quantity of that equipment. It depends also on the extent to which industrial arrangements between employers and employed allow the equipment to be put to continuous use. For example, machinery that is only occupied during sixteen hours a day affords only about two-thirds as much help as it would do if occupied during the full twenty-four hours. Now, the pressure of war has led in some instances to attempts to devise shift-systems so arranged as to make a continuous use of machinery possible in industries in which continuity has not hitherto prevailed. It may well be that, on the return of peace, this type of arrangement, whose possibilities will have been fully tested, may be extended over a considerably wider field than it occupied before the war. In so far as this happens, the more efficient use to which equipment is put will affect production in the same way as an increase in the quantity of equipment would do. On the whole, therefore, it seems reasonable to expect a distinct improvement in industrial organisation as a direct result of the experiences of the war. There would certainly be no undue optimism in the prophecy that, taking the factors of equipment and organisation together, their joint effectiveness when peace returns will be at least as great as it was before August, 1914.<sup>1</sup>

There remains to be considered the probable post-war state of the able-bodied and able-minded population of the country. Between the censuses of 1901 and 1911, the annual increase of the occupied population was about 135,000. Apart from the

<sup>1</sup> Considerable portions of this and the preceding paragraphs are taken from an article on *Labour Problems after the War*, which I contributed to the *Contemporary Review* for September, 1916.



war, therefore, we might expect an increase during the three-year period from 1914 to 1917 of some 450,000. The most obvious effect of the war has been to kill and cripple an enormous number of men in the prime of life. What the number of killed and permanently disabled will be it is impossible to forecast, but it is certain to amount to several hundreds of thousands. Against this has to be set the fact that, whereas during the three years prior to the war there was a net balance of emigration from the United Kingdom of 686,000 persons, of whom about 254,000 were males of over twelve years of age, since the war began there has been no outward balance. We are not, however, justified in assuming that the emigration proper to the war years has been more than postponed. Indeed, it may well be that the custom of open-air life and the association with Colonial soldiers will cause a large part of this postponed emigration to realise itself in a short time after the end of the war. It does not, therefore, seem proper to set against the casualties any large net check to emigration; while it must be remembered further that, of the able-bodied males who remain, a larger proportion than before will probably be required for the purpose of constituting a standing army. There remain certain possible reactions upon efficiency. Those who return unwounded from the army will presumably have gained in physical fitness, and will have lost in respect of training and practice in industrial work. Many poor persons not in the army will have been beneficially affected in physique through the high earnings and allowances that they have enjoyed, and they will also have been instructed in certain kinds of skilled work which they would not otherwise have acquired. On the other hand, it may well happen that many of those who have worked at munition-making will suffer permanent loss of efficiency in consequence of the tremendous strain to which they have been subjected. Finally, it is probable that of the female population who have been trained to industry during the war, a considerable number, deprived of their husbands or prospective husbands and having no families to look after, will continue in industrial employment. The net effect of these various tendencies cannot, of course, be balanced with any confidence. It is obvious that the human power of the community will be considerably less after the war than it would have been at that time if no war had occurred. But it is not certain how it will compare after the war with what it was before the war. A reasonable guess would seem to be that absolutely it will be about the same, though relatively to

the dependent and non-productive part of the population it will be somewhat reduced.

The general result of this discussion is to suggest that the net income-getting capacity of the community after the war is not likely to differ substantially from what it was before the war. This means that the aggregate flow of production out of which the new capital forthcoming in any year must be taken, will not be altered in volume. It does not necessarily follow, however, that the supply of new capital available in response to any given rate of interest will be unaltered. For three further influences are also at work. First, it is very probable that a larger proportion than before of the real income of the community will need to be absorbed in the upkeep of armaments. No doubt it is *possible* that this deplorable result may be avoided, and even that armaments all round may be reduced below the pre-war standards; but nothing has yet occurred to justify optimism in this matter. Secondly, the increase in the dependent part of the population will make necessary the absorption of a larger part of the community's real income in ordinary consumption. These two influences will obviously tend to contract the supply of resources available to be turned into new capital. The third influence acts in the opposite way. Unless some drastic alteration takes place in methods of taxation, the payment of interest on war loans will involve the transference of a large annual sum from wage-earners and other poor persons who hold little war-loan stock to rich persons who hold a great deal. This transference will have many evil consequences, for it will benefit the rich at the expense of the poor. Since, however, rich people are able to save and convert into capital a larger proportion of their income than is possible for poor people, it will, incidentally, expand the supply of resources available for this purpose. But when account is taken of the injurious effect upon workpeople's efficiency which the new burden imposed upon them is likely to produce—an injurious effect that must be reflected in their productive power—very little, if any, net increase in the supply of capital can be looked for from this cause. On the whole, it seems probable that, though the income-getting power of the country after the war will be much the same as it was before, the supply of new capital available in response to any given rate of interest will be somewhat smaller than before.

Let us now turn to the demand for capital. In the United Kingdom itself, though there will be very little direct destruction to make good, there will be a considerable volume of arrears

of work. New houses have not been built; public works have been postponed; repair work of a non-urgent kind has been held up. All this is likely to involve an increase in the domestic demand for capital over and above what prevailed before the war. Furthermore, there is fairly certain to be a considerable demand for capital to pay off a large mass of short-time obligations to foreigners which, in one way or another, we are incurring. If the export of capital for new enterprises abroad is prohibited after the war there would have to be set on the other side the elimination of the large normal demand for British investment in foreign and Colonial undertakings. The net result we may guess to be an increase, but not a very large increase, in the aggregate demand for new British capital above what it was before the war. If, however, the export of capital for new enterprises is not prohibited, not only will this normal external demand continue, but it will almost certainly be much enhanced. The enormous amount of devastation that has taken place in Belgium and Northern France, Poland and Serbia will need a great volume of new capital for its repair. Furthermore, it has been made clear by the utterances of public men that the work of reconstruction in these countries will not be left to the commercial operations of private persons, whom a high rate of interest might hinder, but that it will be undertaken by Governments as a matter of national duty, by means of capital raised, if need be, by taxes or loans, more or less regardless of cost. In these circumstances there can be no doubt that, during the first few years following the war, the real effective demand for new capital throughout Europe as a whole will be very much greater than it was before the war. If the political conditions after peace were such as to permit of a large reduction below the pre-war level in the expenditure upon armaments made by all the Great Powers, this might constitute an important influence on the other side; but, as has already been observed, so far as can at present be foreseen, this is not a thing to be counted upon. Towards meeting the enlarged demand, the United States, owing to the great prosperity she has enjoyed, will, no doubt, be in a much stronger position than she has ever been before. Germany, excepting East Prussia in the early days of the war, has as yet suffered no devastation, but her losses in men have been enormous. France and Russia have suffered devastation as well as enormous losses in men. On the whole, it is not to be expected that there will be outside England any considerable supply of new capital available for meeting the new demand. It

follows that the demand for new capital directed towards this country is likely, during the period immediately following the war and until the necessary reconstruction in Europe has been accomplished, to be considerably greater than it was in pre-war years. If, therefore, after the war the export of British capital for new enterprises is not prohibited, the aggregate demand for it is almost certain to be much larger than it was before the war.

It remains to balance against one another the influences that have been distinguished upon the side of supply and of demand respectively. The result of such balancing would seem to be as follows. If the export of British capital for new enterprises is prohibited, the real rate of interest ruling here may be expected to be somewhat, but not very much, higher after the war than it was before. But, if this export is left free, the rate will almost certainly be very much higher than it was before. To forecast *how* much higher it will be or how rapidly it will decrease as the work of reconstruction is completed is, of course, impossible. But, in the absence of legislation against the exportation of capital for new enterprises, the establishment of a five per cent., or even six per cent., gilt-edged real rate, which should maintain itself for three or four years, and thereafter slowly fall, need cause us no surprise. Of course, on loans issued by Governments which pledged themselves not to redeem, except at the holder's desire, for a large number of years, the rate would not need to be so high, because persons taking them up would expect the general rate on new capital to fall in later years, and the fact that the rate on these loans could not fall would give them an advantage. But on loans where the contract embodies no pledge against enforced redemption a six per cent. rate seems by no means impossible.

### III.

In turning to examine the policy of prohibiting or otherwise interfering with the export of capital for new enterprises after the war, we have first to make clear what in practice that policy would imply. Merely to obstruct the flotation in this country of new foreign and colonial issues would not be sufficient. It would be necessary also to obstruct the purchase by Englishmen of any form of security held by a foreigner. If this were not done, British capital required to finance new foreign ventures could always be taken abroad by the sale here of existing foreign-held securities; for these securities, if offered here at the low prices which must rule for them abroad on account of the high interest on

new capital obtainable there, would be a very profitable investment. There are practical difficulties in the way of a policy of this kind, but there is no reason to suppose that, in one way or another, by fiscal devices or otherwise, they could not be overcome. In any event, the technical aspect of this matter will not be discussed here. I shall assume that State interference with the export of capital for new enterprises is practicable, and shall inquire whether any, and, if so, what, form of it is desirable.

One thing is perfectly plain. To prohibit or impede the free export of capital would inflict a direct and obvious injury upon those persons in this country who are in a position to make savings. This injury would fall not only on those among them who, apart from the prohibition or impediment, would in fact have invested abroad, but also, by lowering the rate of interest at home, on those who would have invested here. This evident effect of interference is not, however, the only one; and it is often argued that, by restricting the export of capital, the Government would confer upon the manual working classes a benefit so great that it would be well worth while to secure it, even at the cost of a considerable injury to the better-to-do capitalist class. The problem thus raised is one of considerable difficulty.

The immediate and direct effect upon the wage-earning classes may conveniently be considered first. In so far as the export, that is prohibited would have involved sending abroad or not bringing from abroad goods of a kind that enter largely into the consumption of the poor, our workpeople may for the moment gain from prohibition. But, if the export would have involved the sending abroad of machinery, railway materials, or other things which workpeople help to make but do not themselves buy, they will lose. In an industrial country like the United Kingdom there is some reason to expect that the second of these tendencies will predominate. I conclude, therefore, that the immediate and direct effect of prohibition would probably, though not certainly, be injurious to the working classes.

But this analysis by no means exhausts the matter. The export of capital this year under the influence of high foreign rates of interest has an important indirect effect in later years. Some British labour is induced to make railway material or tools or machines or cotton goods for foreign use in return for a promise of foreign goods to be remitted here as interest in the future, instead of making tools or machines or houses to be used by our own people. This reacts injuriously upon the

fortunes of workpeople here, because, having less machinery and plant to help them than they would otherwise have had, they are unable to produce so much, and are, therefore, unable to earn such high wages. It may, indeed, happen that our capital, when taken abroad, is invested—as in the case of Argentine railways—in things that indirectly cause the price of something very important for working-class consumption to be lowered. If, in these circumstances, the alternative home investment were some structure in which workpeople had no interest, the export of capital *might* prove advantageous to them. But the influences that make for a loss are more direct, and may be expected to be more potent. Hence, as regards the reactions discussed in this paragraph, the export of capital seems likely to injure wage-earners, and the prohibition of it to benefit them.

Against this beneficial tendency of prohibition there must, however, be set an injurious one. When the export of capital is free, the high interest obtainable abroad both causes more British capital to be created—in lieu of consumption—than would have been created otherwise, and also enables a part of it to be invested in fields yielding a larger return than would otherwise have been open to it. Thus, freedom to export capital at any one time exercises a twofold influence in enhancing the real income of the country at a later time. It follows that, other things being equal, the amount of new capital that can be created there at a later time will be enlarged. The result is an increased provision of machinery and plant, and a consequent improvement in the real rate of wages. To prohibit the export of capital would obviously reverse this tendency.

The task of balancing these various conflicting influences against one another is a very difficult one. *Prima facie* it would seem that, if the policy of prohibiting or restricting the export of capital for new enterprises were introduced now and subsequently maintained in England, the effect in the first year or so would be injurious, after a few years beneficial, and, after the policy had continued in vogue for a long period, again injurious. But the issue is complicated by reactions which may take place in the matter of immigration and emigration, and by political problems connected with international competition for “concessions” in backward countries and with the financing of foreign wars. Certain practical inferences seem fairly clear. On the one hand, no economic case has been made out for forbidding the export of capital for new enterprises in a sweeping general way, though the Government should take power to prevent obviously anti-social

investments, such as the arming against one another of quarrelling minor States. On the other hand, the high rate of interest obtainable abroad must not be allowed to keep capital away from forms of home investments whose social utility is inadequately represented in the rate of interest which they afford. In cases of this kind—one familiar example is the provision of reasonable housing accommodation for the very poor—capital should either be compelled to come in by the direct employment, *as* capital, of revenue collected through taxes, or else persuaded to come in by the offer of some form of bounty or grant-in-aid. But to go beyond these special cases and to formulate a comprehensive policy in the matter of capital exportation—to decide, for example, whether the State should specially encourage investment in our colonies or in countries at present allied to us, either directly or indirectly by obstructing investment elsewhere, or what attitude the Foreign Office should adopt towards firms seeking concessions in undeveloped countries—is a task of quite a different order of difficulty. In the study of it, furthermore, economic considerations are enormously less important than political considerations, and the economist as such has, therefore, little part to play.

A. C. PIGOU

## INFLATION OF THE CURRENCY AND THE RISE IN PRICES.

INFLATION is one of those terms so common in economics which can only be defined by reference to the proper correlative. An old word for inflation of the currency is redundancy. Redundancy means an overflow—an overflow of the channels of circulation.

In the case of paper money the term generally used for inflation is over-issue. Inflation in this sense is not synonymous with increase in volume. An increase in the currency in accordance with the growth of wealth, trade, population, &c., is regarded as normal. Inflation means an abnormal increase.

It may well be thought, *prima facie*, that a great war such as this would call for an increase in all the forms of currency in the same way as an increase in the volume of trade or population. And in this case it may be said that account must be taken of this extra monetary work before estimating the inflation (if any) of the currency.

The question then arises: What is the test of over-issue or inflation if we cannot take merely the pre-war average?

The usual practical test of over-abundance or redundancy or inflation of any form of currency is its *depreciation*.

But the term "depreciation" itself is also a relative term, and the meaning depends on the correlative.

In the case of notes there are two distinct meanings of depreciation according to the correlative taken, namely, (1) *specific*, and (2) *general*, depreciation.<sup>1</sup>

(1) In *specific* depreciation the notes are compared with the metallic standard on which they are based, say, gold. This was the meaning always attached to *depreciation* by the old masters, Tooke and Ricardo. Depreciation in this sense is measured by the premium on gold, *i.e.*, by the extent to which the price of gold measured in notes rises above the mint price. "During the years 1803–8, for example, the difference in the value of Bank of England notes and gold estimated at the Mint price was no more

<sup>1</sup> Cf. article on Depreciation by Professor F. Y. Edgeworth in Palgrave's *Dictionary of Political Economy*.



than £2 13s. 2d. per cent. In 1813 the depreciation measured in this way was £29 4s. 1d. per cent." (Porter's *Progress of the Nation*, 1847 edition, p. 429.)

If the notes are immediately convertible into gold without any delay or hindrance of any kind whatever, obviously they cannot become depreciated in this specific sense.

Under such conditions, however, the notes might become *appreciated* relatively to gold.

For a time in the eighteenth century Scottish one pound notes in some places were of higher value than the metallic money they were supposed to represent, mainly owing to their convenience for transmission.

It is quite possible that the present restriction of gold imports by Sweden may cause a specific appreciation of the Swedish notes relatively to gold.

During the period of the Bank Restriction in England it was maintained that the notes were not depreciated relatively to the gold, but that the gold was appreciated, owing to the exceptional war demands for gold, relatively to the notes.

Inconvertibility (absolute) of the notes does not of itself involve depreciation. Sometimes the mere fact of the announcement of inconvertibility causes depreciation by discredit, but, in general, as shown by Ricardo, due regard to the principle of limitation will prevent specific depreciation of any form of currency.

Between absolute inconvertibility and immediate convertibility there are all degrees of deferred or suspended or limited convertibility. Any hindrance of any kind in time or place to the immediate conversion of the notes into gold so far means imperfect convertibility. The history of banking is full of examples of optional or deferred or restricted convertibility.

In the present war, whilst France, Germany, and Russia at once adopted inconvertibility, in Britain only certain restrictions were imposed on the conversion of notes. The Treasury notes since their first issues have been convertible into gold at the Bank of England. At the same time very early in the war restrictions were imposed on the ordinary banks paying out gold, and people were requested to use the notes.

The Treasury notes are *de facto* inconvertible (except at the Bank of England), but so far as is generally known they have suffered no specific depreciation within the country. We have not come to the pass of having a gold price and a paper price in the shops. Any small hoarder of sovereigns who released his

hoard would not receive more than the nominal value in notes.

Specific depreciation is measured not only by the price of gold, but more generally by reference to foreign currency, as shown by the foreign exchanges. The principal practical problems arising out of the specific depreciation of Bank of England notes in the Restriction were connected with the foreign exchanges.

In the present war the principal efforts of the English financial authorities have been directed to preserving the stability of the foreign exchanges. Except for a short period in the autumn of 1915, there has so far been little or no specific depreciation of the English currency measured by the foreign exchanges, having regard to the new gold export point.

(2) There is, however, a *second* meaning of depreciation which, from the point of view of the general public, is often of more importance, a *general* depreciation, namely, in the sense of a fall in purchasing power. To ordinary people who know nothing of the foreign exchanges it is this kind of depreciation that is suggested by an inflation of the currency. The inflation of the currency is supposed to be shown by the inflation of prices.

The term *depreciation* (in this general sense) came to be applied to gold itself after the alteration in the level of prices consequent on the great gold discoveries of the 'fifties. After 1875 the correlative term *appreciation* of gold came into common use as equivalent to a general fall in prices in the gold standard countries.

Nothing can be more distinct than a fall in the value of one form of currency compared with the standard (or with any other form of currency, *e.g.*, foreign) and a fall in the purchasing power indicated by a general rise in prices. Yet it is very commonly assumed that so long as there is no specific depreciation of the English notes, the issues of such notes cannot have caused any general depreciation. That there has been a great fall in the purchasing power of the pound sterling cannot be denied. It is also clear that gold has been displaced from circulation, and that its place has been taken by notes, and in this sense the notes have less purchasing power than at the first issue. But by most people the fall in the purchasing power is assigned to causes affecting the particular commodities, *e.g.*, to war scarcity or to war demands, and not to the over-issue of the notes.

Whether the general rise in prices in this country is to be attributed at least in part to an over-issue of notes is a matter for

argument, and in the last resort the verification involves a series of difficult statistical inquiries. But it is important to make clear at the outset that the mere absence of *specific* depreciation (as shown by the foreign exchanges) does not of itself disprove general depreciation due (so far) to over-issues.

It is true that the same causes tend to bring about both specific and general depreciation, but there are also special causes at work in the two cases, and the two kinds of depreciation may move at different rates or even in different directions.

In an extreme case no doubt an enormous issue of notes will at the same time lower the value of the notes in terms of foreign currency and also lower their purchasing power within the country of issue.

But even in this case whether the *specific* depreciation shown in the foreign exchanges is the exact measure of the general depreciation in purchasing power depends on various conditions. As was remarked by F. A. Walker in his book on *Money*, this question is perhaps the most difficult in the theory of money.<sup>1</sup>

Since the standard work of Goschen, the theory of the foreign exchanges has been treated by many able writers, and in our own times has received special attention from the advocates of the gold-exchange standard. It is sufficient here to remark that movements in the foreign exchanges are the resultant of a number of variable causes, and the movements may be "corrected" by various special expedients which have for the time little effect on the general level of prices in the "correcting" country.

The principal cause of any movement in the foreign exchanges is a change in the international indebtedness. If, however, the adverse balance of indebtedness is restored by the export of securities or the creation of foreign credits, the fall in the exchanges is stopped. But coincidentally there may be a continued rise in prices within the country, and it is possible that this rise may be due to continued excessive issues of notes.

It may also be observed in passing that the credit of any country is only one of the causes affecting the foreign exchanges, and accordingly movements in the foreign exchanges do not necessarily reflect or measure changes in national credit.

It is commonly admitted, for example, that the general rise of prices in Russia is partly due to the excessive issues of paper money, and that these issues are also partly accountable for the

<sup>1</sup> Cf. my *Principles of Political Economy*, Book III., ch. XV., sec. 4, Vol. II., p. 128. I once complimented General Walker on his clear treatment of this matter, and he said to me: "Do you know I was never clear in my own mind on that question."

fall in the foreign exchange. But it is plain that for every movement in the Russian foreign exchange or of the value of the rouble in terms of the pound there cannot be a movement in the general level of prices in Russia. Russia is too big. Nor does Russian credit fluctuate simply with the changes in the sterling value of the rouble.

#### DIGRESSION ON THE EFFECTS OF DEPRECIATION ON FOREIGN TRADE.

The difference between *specific* and *general* depreciation is of great practical importance in estimating the effect of the depreciation of inconvertible notes on the course of foreign trade. It is very commonly taken for granted that depreciation of the notes will stimulate exports from the country concerned. Take, for example, the following statements :—"So long as the mark is at a discount there will be a *pro tanto* advantage to export trade, and although the mark may eventually regain its par value, a few months, or even weeks, will have an appreciable influence on reopening foreign business."<sup>1</sup> Or, again, this :—"Man sagt daher mit Recht : eine entwertete Valuta wirkt wie eine Erleichterung der Ausfuhr."<sup>2</sup>

In the same way it is held that a corresponding check will be placed on imports by the depreciation. Thus Diehl : "Die entwertete Valuta wirkt wie eine erhöhter Schutzzoll." And Mr. Clare writes : "On the trade of a country depreciation and an unfavourable exchange generally has much the same effect as a protective duty. It stimulates exports and checks imports."<sup>3</sup> On the other hand, Goschen writes : "It will be easily seen why it is possible to assume that a country in which a depreciated currency and a prohibition to export bullion exist is likely to be importing more than it is exporting."<sup>4</sup> In explaining the position, Goschen says : "Sometimes Governments simply, for their own purposes, issue a quantity of paper money ; the natural consequence will be over-importation ; prices will rise in consequence of the increase in circulation, and accordingly attract commodities from other markets, while the exports, having risen also (in price), will be less easy of sale abroad."

The question was much discussed at the time of the bimetallic

<sup>1</sup> Professor Kirkaldy : Address to British Association, 1916.

<sup>2</sup> Karl Diehl : *Zur Frage eines Zollbündnisses zwischen Deutschland und Oesterreich-Ungarn*, p. 30.

<sup>3</sup> *The A B C of the Foreign Exchanges*, p. 153.

<sup>4</sup> Goschen's *Foreign Exchanges*, p. 72.

controversy with reference to the effects of the depreciation of silver. Mr. J. M. Keynes<sup>1</sup> in his book on Indian currency supports the view that depreciation as such has little or no effect either by way of stimulus to exports or check to imports (and presumably the same reasoning would apply to paper as to silver).

The solution of this curious conflict of opinion amongst authorities who have given special attention to the question is to be found by distinguishing between the two kinds of depreciation. The truth is that *specific* depreciation will tend to stimulate exports or imports or have no special effect on either, according to the degree of the *general* depreciation (if any) which has taken place within the country concerned. Take the first case. The exporter, owing to the specific depreciation, is supposed to get more notes than before to spend in his own country after converting the foreign money into his depreciated paper. If, however, there has been a greater general depreciation, these extra notes will have less purchasing power than before. He will have to pay more in expenses of production, the expected gain will turn to loss, and exports will be checked. (Goschen's case.)

Take the second case. With a general depreciation greater than the specific the importer will obtain more notes and on conversion more gold than before in the country of origin.<sup>2</sup>

The particular case of England during the present war is of special interest. There has been a continuous rise in prices or a general depreciation of the currency, with little or no specific depreciation. The natural consequence would be (so far) a stimulus to imports and a check to exports. (Goschen's case.) If this interpretation is correct, the efforts made to keep up the exchange or check the specific depreciation without at the same time checking the general depreciation have (so far) stimulated importation, and thereby increased the balance of indebtedness which has to be met by the export of securities. The large importation, apart from Governmental imports of war materials, seems (so far) to confirm this view.

This digression, however, is only intended by way of illustration of the distinction between general and specific depreciation, and is not meant to anticipate *a priori* the test of a statistical inquiry.

(END OF THE DIGRESSION.)

<sup>1</sup> *Indian Currency and Finance*, p. 3 and note.

<sup>2</sup> The general argument on the effects of the two kinds of depreciation with application to silver and to inconvertible paper was given in a paper to the Royal Society of Edinburgh in 1888. Republished in my *Money and Monetary Problems* in the Essay entitled *Causes of Movements in General Prices*.

To return to the general argument, we have next to consider the causes which under normal conditions, *i.e.*, with absolute convertibility in full working order, may bring about a general rise in prices in some particular country as compared with the general world level, and the limitations imposed on that rise by the conditions of convertibility.

Before the present war England maintained the gold standard in the most effective form. Every credit substitute for gold was convertible into gold as required. The position was sometimes explained by saying that London was the only really free market for gold. The ultimate convertibility of the notes was not only secured by cast-iron restraints on over-issue and by a gold reserve that seemed ridiculously large, but in every bank in the kingdom convertibility was a matter of common routine. The proportion of gold to notes in circulation, even in Scotland, with its one-pound notes well established, depended simply on the convenience of the people concerned. Some people preferred to carry gold—some notes. Anyone who cashed a cheque could state his preference. For internal purposes no restraints were imposed on the use of gold, and the notes in use were strictly limited by the Acts of 1844 and 1845. Silver and bronze were also coined simply to suit the convenience of the people. Though their legal tender was limited and their metallic value not half the nominal value, they were always convertible, and the chief complaint was of occasional local scarcity of some kind of these tokens, *e.g.*, farthings.

In any expansion of trade after a depression there was an expansion of the currency, *i.e.*, of gold, notes, and token coins, to provide for wages, retail trade, &c., under rising prices. Seeing that the issues of notes were strictly limited and in England none under £5 were allowed, a continuance of the rise in prices—from whatever cause it may have originated, *e.g.*, speculation, foreign demand, &c.—was only possible with an increase in the 'gold available.

Of the monetary transactions of England under normal conditions the part actually effected by cash payments in the strict sense, that is to say, by coins or notes passing from hand to hand, is relatively so small that its importance is apt to be overlooked. The Bankers' Clearing Returns in 1913 amounted to over £16,400 million. The gold circulation probably did not exceed £160 millions, of which about half was in the hands of the public and half in the banks, including the Bank of England.<sup>1</sup>

<sup>1</sup> Cf. Report of the Currency and Finance Committee of the British Association, 1916, in Prof. Kirkaldy's *Labour Finance and the War*, p. 231.

The amount of gold in the country compared with the work to be done seemed so insignificant as to be negligible. We were told that the real currency of the country was not the sovereign (and its metallic submultiples), but the cheque.

As a further consequence it was maintained that so far as the level of prices in any country depended on the quantity of the money, the gold was of little importance. This opinion was confirmed by observing that the seasonal demands for currency passed almost unnoticed, and from year to year there might be great changes in trade and consequent changes in the demand for currency with little effect on the monetary system. The gold seemed to be the ornamental survival of an old system of about as much use as the buttons on a tail coat. The real thing was the cheque-book in the pocket.

The falsity of this idea, that the importance of gold and notes based on gold is to be estimated simply by the proportion to the mass of the actual currency (in which the cheque is altogether predominant), may be made clear both by reference to the meaning of the gold standard and the methods by which it is maintained. Did anyone ever hear of a cheque standard? Can anyone even explain how a currency of cheques can be maintained unless the cheques are convertible into cash as required? The American crisis of 1907 illustrates the difficulty.

The outbreak of the present war gave a vivid illustration of the vital importance of currency as distinct from credit. The suspension of the Bank Act—the old remedy for the increase of cash in times of crisis—was permitted, but was not acted on.<sup>1</sup> It was not acted on, not from any fantastical reason that our currency was a cheque currency, but simply because it was supposed that the provision of cash in this way was too feeble. As fast as possible Treasury notes for one pound and ten shillings were printed and at the same time legal tender was assigned to postal orders. Any bank was to be allowed to get notes to the extent of 20 per cent. of its total liabilities on deposit and current accounts as shown in the monthly statement last issued before August 6th, 1914. [Cd. 7836.] Not a voice was raised against

<sup>1</sup> "The insufficient supply of Treasury notes made it necessary to issue to bankers on August 7th and 8th, 1914, a part of the advances to which they were entitled under the Currency and Bank Notes Act, in the form of Bank of England notes instead of Treasury notes . . . the excess issue reached at its highest point £3,043,000." (*ECONOMIC JOURNAL*, December, 1915, p. 566.) This fact was not made known till about a year later, and as the Bank of England notes were only used because the Treasury notes were not printed fast enough, it is practically true to say that the suspension was not taken advantage of.

this creation of cash for the emergency—the only criticism was to the effect that the notes ought to have been already printed beforehand.

In the face of a monetary panic of this kind it is absurd to reckon the relative importance of the notes simply by the proportion to the bankers' clearings. It would be as reasonable to estimate the relative importance of the bodily organs by their weight. Nor is this insistent demand for cash to be explained as altogether exceptional owing to the sudden outbreak of war. The need for currency as the basis of internal credit was quite as forcibly illustrated by the 1907 crisis in the United States, of which one of the sequels has been a change in the banking law.

The best way to understand the effect of the war on credit and currency is to look first of all at the essence of the relations between cash and credit under normal conditions before the war. Before the war there were *three* very real limitations imposed on the rise of prices by an expansion of credit. There were three great drain-pipes which allowed the monetary cistern (to recall the metaphor which Jevons made popular) only to be filled up to a certain height.

(1) *The Internal Drain*.—There was first the drain to provide cash for payments within the country itself—the *internal* drain limitation. Every banker knew that in case of need he must meet his cheques in cash. His creation of bank money was limited by the necessary provision of, or command over, a due proportion of metallic money or its legal tender representative in notes. Cash was required for wages and various retail transactions.

As a matter of fact, the stringent regulation of notes as compared with other forms of bankers' credit (*e.g.*, cheques) has been recognised in every country, and in no country was the regulation more stringent than in England before the war. Whether the regulation was too stringent is not now the question. The point is that, under normal conditions, the limitation of the notes made it necessary, after a certain point was reached, to provide gold, and the provision of gold in a country that does not produce gold is a very different thing from handing out cheque-books or printing off notes.

(2) *The Foreign Drain*.—This necessity for the provision of gold in case of need—which is the real meaning in a practical form of a gold standard—is still more imperious when we look to foreign payments and the possibility of a *foreign* drain.

It is true that before the war to a greater and greater extent



the use of gold was economised in international payments. This economy reached its most advanced stage in the development of the gold exchange standard. But in all these economies the gold foundation was still necessary. When the proportion of gold fell below a certain point in the central bank steps were taken which directly or indirectly led to a contraction of credit.

The methods by which the stock of gold was replenished in the case of a threatened foreign drain have been explained by a succession of authorities on banking. The central point to seize is that, with all the economies of gold we never get away from the fundamental necessity of every monetary centre having a sufficient amount of gold *under its control* to ensure the absolute convertibility of its credit substitutes. Were it not so already before the war the gold standard would have been effectively abandoned. In London the gold standard was most effectively maintained because the principle of immediate convertibility was most strictly observed. It is true that the store or fund of gold held in London was far less than in other great centres, but the flow was greater and more steady. And, as in wages, it is the flow and not the fund that counts.

Under the conditions that prevailed before the war gold had come to be recognised as the one standard throughout the commercial world. All the other currencies and credits were expressible in terms of gold and their values were determined in reference to gold. It followed that a very close connection subsisted between the general prices in any one country (reckoned in gold) and general world prices in the same standard.

That the levels of prices in gold standard countries tend to equality is sometimes taken as axiomatic, and is shortly expressed by saying that gold being the standard must have the same value all the world over.

The simplicity of this assumption disappears when we look into the meaning of the value of gold. To begin with, there are all the difficulties of index numbers, of which a very able and interesting résumé has just been furnished by the United States Bureau of Labour Statistics.<sup>1</sup> The danger of applying general index numbers to particular problems has long been familiar. For most practical purposes we need special index numbers. It is true that in any very marked movement of prices the various index numbers tend to move in the same direction, but they move at different rates.

<sup>1</sup> Bulletin No. 173 and 181. Cf. *Quarterly Journal of Economics*, p. 796. August, 1916.

With regard to the tendency to equality of international prices (*e.g.*, of English prices with world prices), it can only subsist in the first place in articles capable of easy and prompt transfer in international trade. There is, for example, no direct and immediate tendency to equality in the prices of lands and houses, which are the largest values in the national inventories. The same is true of the price of labour and of the different kinds of labour. The price of labour (of a typical kind) may vary greatly when we compare England with the United States, or India, or Australia. Even as regards the great staples of international trade, prices vary with freights, and freights are subject, even in normal times, to varying influences. Indirectly, no doubt, the tendency to equality of international staples re-acts on other things. The price of agricultural land in England depends largely on the world prices of agricultural produce, as was well shown in the depression that set in in the 'seventies. The international article affects the price of the home alternative. The price of labour itself depends partly on the cost of food, etc., and partly on the prices of the products of labour, and both are subject to international influences.

After these and similar allowances have been made for the differences between national and international prices, it still remains true that under normal conditions national prices (measured in gold) must be adjusted to the international level. With a rise in national prices (from any cause) imports will be stimulated and things formerly on the margin of doubt will come rolling in. Conversely, as regards exports, the marginals will be retained or not asked for at the rising prices. In this way the balance of indebtedness will rise against the high-priced country. This growth of the adverse balance must in the end cause a contraction of credit unless it is met by the export of securities or the creation of foreign credits, or some other expedient. Failing some such adjustment, there must be a drain of gold, and if the gold standard is to be maintained, the re-action on prices is inevitable though long delayed. The long postponement may culminate in a financial crisis.

Under normal conditions the more effective the maintenance of the gold standard by absolute convertibility the sooner the restraining influence will be felt on any national expansion of prices of external drain.

(3) *The Consumption Drain*.—There is one other drain—the third drain—in which may be seen the fundamental dependence of credit prices on gold apart from the internal and external drains just noticed. After a point, rising prices and rising incomes will

cause a rise in demand for the use of gold in the arts. The Mint price of gold is fixed, *i.e.*, so much gold is coined into so many pounds. Conversely, if gold is wanted for the arts it may be obtained by melting down the sovereigns (this time perhaps in spite of the law).

If, however, prices could rise indefinitely with an expansion of credit the drain for consumption would absorb all the gold in circulation or in the banks if convertibility were maintained. The recent publication in this country of the prohibition of melting down gold coins seems to show that this kind of drain is being felt or feared.

The conclusion of this part of the argument is, that so long as the principle of convertibility is strictly maintained, any national depreciation of the currency, whether specific or general, tends to bring into play with increasing force one or all of these *three drains*.

In general, however, under normal conditions, any tendency to depreciation is checked long before any one of the three drains becomes noticeable, even to the ordinary banker.

The chief reason for this re-statement of the principles of the limitation of the expansion of credit prices, is to make clear by contrast the changes introduced in England through the war. The general result of our financial policy has been to replace the old brakes on the expansion of credit by new brakes on the convertibility of credit substitutes into gold. The old regulations on the issue of bank notes have been annulled, both as regards quantity and denomination. The issue of Treasury notes for one pound and ten shillings of full legal tender makes it possible to dispense altogether with gold for internal circulation. The removal of limits to the quantity of the issues of the notes has enabled the Government or the banks to provide against any internal drain, simply by printing off more notes or certificates.<sup>1</sup> The old check of the *internal drain* is no longer operative.

With regard to the *foreign drain* limitation, it is true that the principle of convertibility has been maintained by the Bank of England, but not by the pre-war methods. A great effort has been made to prevent specific depreciation by Governmental provision of foreign credits, so as to neutralise the fall in the exchange consequent on the increasing adverse balance of indebtedness. The specific depreciation has been counteracted or prevented with-

<sup>1</sup> The notes outstanding have risen from £43,519,019 on May 12th, 1915, to £139,071,885 on November 8th, 1916, with coin and bullion unaltered in the redemption account at £28,500,000.

out any regard being paid to the possibility of general depreciation within the country.

The restraints imposed by the war on international trade have rendered the readjustment of national to international prices more difficult. Accordingly, under war conditions, it is possible that the level of prices in England may rise owing to causes affecting English credits and currency apart from any general rise in world prices. Having regard to the enormous demand by Britain and her Allies, the rise in British prices may be the chief cause in the rise in world prices of international staples. At the same time, the substitution in all the belligerent countries of notes for gold and the adoption of imperfect convertibility allows gold to overflow in the neutral countries, *e.g.*, the United States, and gold so far suffers a general depreciation.

The *third* limitation, the drain for consumption, is practically inoperative when the circulation has been reduced to notes. The efforts of the Government, however, have been directed so far to prevent the use of gold within the country either for the arts or for hoarding, so as to put more under their control for stabilising the foreign exchanges and preventing specific depreciation. The third limitation on the expansion of prices by an expansion of currency and credit is thus removed or weakened.

It appears then that the three great limitations which in normal times were imposed on the expansion of prices in the United Kingdom have been *de facto* removed.

It does not follow, however, that as a necessary consequence prices must have risen abnormally—so far only the *possibility* of an abnormal rise has been established.

As the history of the Bank Restriction (1797-1819) shows, it is possible that a rule of thumb, not founded on any recognised monetary principle, may suffice for a time to check both specific and general depreciation. As already shown, inconvertibility of itself does not mean depreciation. The essential thing is that the principle of limitation must be applied in some effective form. Bagehot said that the reasons given by the Bank of England Directors (in the Restriction) for their rules regarding their note issues had become "almost classical by their nonsense." Yet for a long time the rules were practically sufficient. The foundation of the principle of these rules of thumb was the belief that a Bank Rate of five per cent. (with the usual first-class banking securities) would suffice to check any undue issue of notes. The maintenance by the Bank of England during nearly two years of the present war of the same rate seemed to suggest a survival of

the same simple faith. The recent resort, however, to a six per cent. rate is so far a reversion to normal methods, though it is probably due simply to the desire to support our foreign credits. It can hardly be regarded as a recognition of any inflation of the British currency—for the belief still prevails apparently that a general depreciation due to inflation is not possible without specific depreciation, and that (by the simple quantity theory), in any general depreciation the amount of notes is negligible compared with the mass of cheques.

The main contention of the present argument is that the influence of note issues on prices is not to be measured by the proportion of the notes to the cheques, but by their function in supplying a necessary part of the currency for cash transactions, and indirectly, a necessary basis of credit. The validity of this argument under normal conditions has been admitted by all countries, as shown by their banking regulations. In all countries stringent limits are imposed on the issues of notes. Germany, in the third year of the war, in the midst of an effort to float the "last" great war loan, has made frantic efforts to make the gold in reserve bear the legal proportion to the notes in circulation. In this country we have preserved nominally the convertibility of the notes, but we have imposed restrictions on the actual process of conversion. As regards the Bank of England notes, we have kept the Act of 1844, but as regards the Treasury notes, every principle of that Act has been disregarded. What other limitations have been adopted (beyond the original twenty per cent. of banking deposits) is not known.

*Conclusion.*—The general conclusion of the foregoing argument is that the conditions affecting note issues and bankers' credits based on these notes during the war, have rendered possible a general depreciation of the British currency in spite of the fact that there has been little or no specific depreciation.

The extent of this general depreciation (or alteration in the value of the whole currency, as the old writers called it) is roughly measured by the usual index numbers (*Economist*, Sauerbeck, etc.). How much (if any) of this depreciation (or alteration) is to be ascribed to the relaxation of the limitations formerly imposed on the expansion of currency and credit, can only be determined by careful statistical inquiry. The index numbers are founded on the prices of particular representative commodities, and it is possible that in each particular case special causes may be assigned (in the manner of Tooke) for the exceptional rise. The magnitude, however, and the apparent universality of the rise in the

opinion of the writer seem to show that it is due to a considerable extent to inflation of credit and currency.

In support of this view, the first approximate results of a statistical verification may be indicated. There has been a general conformity between the increases of our note issues and the rise in prices in the United Kingdom. The increase in prices as shown by the index numbers has *followed* the increases of the notes. The issues of Treasury notes and certificates have exceeded the gold displaced from actual circulation. The notes of the Scottish banks (with Governmental paper reserve in place of gold) have largely increased. In spite of the ten shilling notes, more silver coins have gone into circulation. There has been a continuous rise in wages (taking the family as the wage-earning unit) and in retail prices of all kinds. In general, the movement in prices is of the character associated with over-issues of inconvertible paper, such as has taken place in the other belligerent countries.

The rise in prices in the United States was for a time hardly appreciable, and is still very much less than in the United Kingdom.

The bankers' clearing returns also point to inflation. The fall in the Town Clearing is accounted for by the fall in Stock Exchange and financial business in London. The Country Clearings from December, 1914, show a continued increase over the corresponding pre-war figures. The increase in the first six months of 1916 over 1915 is greater than that of 1915 over 1914. The increase in banking deposits in connection with bankers' loans to Government points to an inflation of credit.<sup>1</sup> The profitable nature of banking business (after allowance for depreciation of old investments) and incidentally the great strength of bank shares indicates credit expansion.<sup>2</sup> Having regard to war conditions, the rates of interest have suggested inflation rather than stringency, though the high rates paid by the Government apparently for political reasons, tend to obscure this part of the evidence. The continued export of securities to support the foreign exchanges (coupled with the recent rise in the Bank Rate to 6 per cent.) suggests the artificial prevention of specific depreciation which might otherwise have accompanied the general depreciation. The course of foreign trade (as already indicated) points to the artificial stimulation of imports.

I hope on a future occasion to give in detail the results of the

<sup>1</sup> *Economist*, October 21st, 1916.

<sup>2</sup> *Ibid.*, October 28th, 1916.

statistical verification here only broadly indicated. In attempting to determine how much of the rise in prices may be ascribed to inflation of the currency, it is important to trace the progress of this rise in prices in order of time, which is much more difficult than to make a mere comparison of present (November, 1916) conditions with pre-war (July, 1914) conditions.

J. S. NICHOLSON

## THE COMMERCIAL POLICY OF FRANCE AFTER THE WAR.

THE question of the commercial relations to be established after the war, both with her allies and with enemy countries, does not arouse much interest in France to-day, where public opinion is entirely taken up with military events. Nevertheless, the question has been discussed in the meetings of large associations, and varied and even conflicting resolutions have been passed, which may be of interest to the British reader.

The *Fédération des Industriels et Commerçants Français*, for instance, which counts among its members the most prominent representatives of the world of business, has several times discussed the question at its monthly meetings, and has instructed the secretary to draw up a full report, which has been published in the *Bulletin* of the Association.

We need not consider the temporary measures proposed for the period of reorganisation, although one of these is unusual enough to deserve notice, *i.e.*, the stipulation that Germany shall supply France with whatever quantity of coal may be required to make up her shortage, such supply being considered an instalment of the pecuniary compensation or indemnity of war. We will confine ourselves to the conclusions relating to our commercial organisation after the war.

First, we find a proposal to cancel all existing treaties which contain the most-favoured-nation clause, whether these treaties were made with enemy or with neutral countries. The aim is to begin again with a clean slate.

The existing general tariff is to apply to Germany and her allies, but it is to be stiffened in respect of "certain industries created since the outbreak of the war and in need of special temporary protection."

It is noteworthy that the *Fédération des Commerçants* asks for no prohibition. Its members know too much of their subject to associate themselves with the puerile boycotting campaign which is carried on by a section of the Press and a few ultra-



nationalist associations. French merchants know that to refuse admission to all German goods would mean the closing of German markets to their own, and that it would not be easy to find a substitute for a customer who was worth a thousand million francs a year. And the French manufacturer knows that there are in Germany raw materials and machinery which cannot be dispensed with, and which will be most urgently required when his own factories start work again.

The Economic Conference of the Allied Powers (June 14th to 17th last) had foreseen the possibility of imposing measures of prohibition as a temporary expedient. But the *Fédération des Commerçants* does not seem disposed to accept them even with this limitation. It does indeed politely state "that this meeting has no objection to raise to such a scheme, but that it would prefer to wait until the several Governments shall have published their intentions."

The Economic Conference had also foreshadowed and recommended retaliatory measures against "dumping, or any other unfair form of competition." Here, again, the *Fédération des Commerçants* does not seem disposed to follow. The word "dumping" strikes terror into the heart of the man in the street, but the business man does not share this obsession. He knows that every manufacturer who works for export is guilty of more or less dumping. As M. André Lebon, President of the *Fédération*, remarked, "The term 'dumping' is not susceptible of exact definition. Some States, for instance, would call bounties on shipping a form of dumping. We must avoid the use of formulae which by their rigidity run the risk of paralysing our own efforts after expansion."

But if the *Fédération* has shown itself comparatively liberal in regard to the competition of goods from Germany, it has, on the other hand, proved ultra-protectionist in its attitude towards German competitors on this side of the frontier. It invokes all the powers of the law against this form of industrial invasion, i.e., it would prohibit all aliens or alien companies from engaging in "any industry or occupation concerned with national defence or affecting economic independence," unless with special authorisation, which must be granted for a limited period only, and subject to revocation. And to ensure that any self-styled French company shall not be under foreign control, it is required that all shares be registered in the names of the holders.

It is doubtless implied that these measures are directed against Germans only, and that they shall not be applied to the foreigner

from a friendly country. Nevertheless, once we have embarked on a policy of excluding the foreigner, it is not easy to stop. Baiting the stranger will, in our opinion, be one of the gravest of after-war perils—it may well jeopardise the progress made in the Christian era and carry us back to the days when “foreigner” and “enemy” were synonymous terms.

With regard to the commercial relations among the members of the Entente, the *Fédération des Commerçants* has been disturbingly reticent and the little that has been said is remarkably obscure. The only point to emerge clearly is that there is no intention of abolishing, or even of diminishing existing import duties. On the contrary, the *Fédération* suggests “that we should aim at consolidating our fiscal system and repairing the breach which imprudent legislation has effected.” It does indeed admit “that some new ideas might be introduced into our system of import duties,” but these innovations will consist solely of additions. Duties will furnish not only a source of revenue and a means of protection; they are to act almost as a deterrent against the importation of articles of luxury. For France to ask for the prohibition of articles of luxury is remarkably imprudent, and she may well regret the step when other countries seek to obtain a similar advantage for themselves at her expense.

There is therefore no ground for expecting from this source anything that would make for free trade between the countries of the Entente. Even the most-favoured-nation principle is admitted only with many reservations and omissions. “Many of our merchants would like to see it abolished altogether. To go as far as this, especially in regard to our Allies, would probably not be feasible. At least it would be advisable, in order to allay apprehension, to avoid articles of too general use, &c.”

The *Fédération* does not indeed represent all France. But the great agricultural associations speak in the same terms. They have already protested violently against any suggestion of diminishing the duty on wines, whereby the import of Italian wines would be facilitated. The colonial associations, too, demand that the Government shall give no undertaking in regard to colonial policy, and so far from wishing to extend the principle of the open door, they are counting on securing its abolition in the two French colonies where it exists (solely because Germany insisted on it)—in the Congo and in Morocco.

But all this is the opinion of the rich—of property owners and capitalists—who would naturally be conservative. What of the

rest? What say those who are more or less qualified to speak for the people—democrats, Socialists, co-operators?

They say very little. Socialists in France have always kept aloof from the question of Protection *v.* Free Trade, in which they saw nothing but a middle-class controversy. There are indications, however, that the war will draw them out of this state of indifference. It is not impossible that Free Trade may commend itself to them as a means of reviving and consolidating international Socialism, which used to be one of the essential planks in their platform and which has suffered such woeful disruption of late.

The co-operators have already initiated a campaign on these lines. They are not numerous in France, and their activities do not bear comparison with those of the co-operators of Great Britain. Nevertheless, their influence has increased a good deal in the course of the war, especially owing to the services they rendered to the Government and to the municipalities in their struggle against the rise in prices. The congress which they held in Paris from September 22nd to 25th attracted considerable notice, more especially because they invited the co-operators of allied countries to take part, and representatives of England, Belgium, and Italy actually attended. The most important question on the agenda was that of industrial relations after the war. Here are the conclusions as reported by the writer of this article :—

“1. Commercial treaties between the nations composing the Entente to be as wide as possible; everything that makes for interchange, *i.e.*, transport, correspondence, immigration, naturalisation, unification of factory laws, to be encouraged. Attempts to be made to establish more thorough-going union between neighbouring countries. In those colonies which have not yet been given self-government, the principle of the open door to be established.

2. As regards neutral countries, the most-favoured-nation treatment to be extended as widely as possible.

3. As regards Germany, Austria, and their allies, to abstain from systematic boycott which would be intended solely to ruin their trade, but, on the other hand, to allow them free access to the markets of the countries of the Entente, only on condition that the two Empires should subscribe to the principle of international arbitration.

4. In all questions of import duties, to give the interests of consumers and workers the first consideration, in view of the

reaction of such duties on the cost of living; not to oppose duties that are purely fiscal in character, and designed to bring in necessary revenue, but to fight against those whose sole object it would be to safeguard the profits of any particular industry.

5. To facilitate the creation of any new industry capable of opening new channels for national activity, but not to adopt as the end of our industrial policy the principle of making our country independent of others. To accept the principle of a necessary division of labour and a desirable international co-operation between all countries."

These conclusions were adopted by the Congress more or less without modification, with the single exception of Resolution 4, which had to be suppressed owing to the unshakable opposition of the English and Scotch delegates. These declared that they would be false to the principles for which their societies stood if they voted for a resolution admitting the right to impose general import duties on all goods, even with the reservations made in the text—even with the proviso that the duties would be sanctioned only as sources of revenue. It is interesting to note this steadfast resolve on the part of the English co-operator to insist—however pressing may be the need of revenue—on the total exemption from duties of all articles of food. The representatives of the working classes in France are not so uncompromising. They know well enough that the State will have to get its millions out of something, and they understand that these cannot be levied exclusively on the incomes of the propertied classes. They do not wish, however, to sanction import duties in order to secure profits to capitalists and landlords, and to obviate this danger would prefer the Government to reserve for itself the monopoly of the importation and sale of foreign food products, *e.g.*, coffee.

The conclusions quoted above, which would not have any very great value if they represented the view of French co-operators only, have gained somewhat in importance by being reproduced in the principal Socialist papers, especially in *L'Humanité* and in *Le Bonnet Rouge*, and from the fact that they have been approved by the Congress of the *Ligue des Droits de l'Homme*, which has just been held in Paris. (November 2nd and 3rd). The *Ligue des Droits de l'Homme* is the most powerful political association of the Republican Party, and its influence on the Government is considerable. Its opinions may have a certain weight when commercial treaties come to be discussed. Nevertheless, I doubt if they will turn the scale against the coalition of agricultural and industrial interests.

It is true that there is a *Ligue du Libre Echange* in France, whose President, M. Yves Guyot, is well known in England and a familiar figure at the Cobden Club, and whose organ, the *Journal des Economistes*, is the oldest economic review in the world. But the League is a mere survival of a glorious age, of the halcyon days of Bastiat and Michel Chevalier. It still claims a few adherents among the members of the Société d'Economie Politique and the Académie des Sciences Morales et Politiques, but it has no influence in Parliament and no roots in the country. It may take a new lease of life—we hope it may—by joining forces with the co-operators and Socialists. Among the many surprises of the war it would certainly not be the least if the doctrinaires of the Liberal school and the Socialists were brought to make common cause against the enemy.

The *Ligue du Libre Echange* has published two manifestoes, the last one in July. It goes without saying that the League will press with all its powers for the closest possible commercial union between the members of the Entente, and will oppose any measure of prohibition directed against the Central Empires. But it goes farther, for it wishes the terms of peace to "impose free trade on the enemy," i.e., to forbid them to institute any protective tariff. This method of imposing Free Trade by force of arms is a little surprising, coming as it does from the leader of the Liberal school, even though it carries with it the proviso that the conqueror will impose identical terms on himself. The argument adduced by the manifesto is that Free Trade imposed on Germany will be the best means of (1) enabling her to pay an indemnity for the war, (2) preventing the fiscal union of Germany and Austria and the establishment of "Central Europe," (3) putting an end to dumping, (4) safeguarding for Alsace-Lorraine, when annexed to France, her former outlet into Germany. These arguments are interesting, but they imply the complete victory of the Entente, and Germany reduced to accepting the commercial system dictated by the Allies. It might perhaps not have been altogether superfluous to consider other hypotheses, e.g., the question whether, if Germany kept her protective tariff, the members of the Entente should nevertheless grant her the privilege of free import for her products. To be strictly logical, the League should answer the question in the affirmative, but it is silent on the point.

The question of commercial relations after the war has also been studied by an association founded about a year ago—the Franco-British Committee—but, as indicated by the title, this

Committee concerns itself exclusively with the relations between France and Great Britain. It has not shown itself as eager for a commercial entente as its name would lead us to expect, nor does its programme differ materially from that of the *Fédération des Commerçants*, of which we have given a summary above. The two associations indeed share more than their views, for the economic section of the Franco-British Committee and the *Fédération des Commerçants* actually have the same President, M. André Lebon. The report brought out in the name of the Committee by M. Belin concludes with the words: "We do not aim at forming a Zollverein to bind together the allied nations, whose interests are so dissimilar. What we aim at is to rid ourselves of the megalomania of a State which has carried out a campaign of insidious invasion; to re-establish wholesome commercial relations; to re-organise the economic world, while leaving each country its freedom." Which must evidently be interpreted to mean "the freedom of its tariffs." For the rest, the Committee has decided to leave on one side all questions of tariff duties, which would require very detailed and technical discussions.

In conclusion, the impression which emerges from these conflicting opinions is that the commercial politics of France after the war will be very little different from what they were before the war. And we are inclined to think that the same will hold good in domains other than those of commerce. Popular imagination tends—in times of great upheaval—to believe that the world will emerge transformed, and, like the Apostle in the Apocalypse, will see a new heaven and a new earth. The Press teems with assertions that nothing after the war will be the same as before. But history has never verified the expectation of sudden and general transformations—not even the history of geology. It is therefore very probable that after the war the Protectionist countries will remain protectionist and the Free Trade countries will retain free trade, and that neither among the Allies nor among the enemies of yesterday will the commercial relations be as much changed as we might have been justified in anticipating.

CHARLES GIDE

## THE TASK OF THE WELFARE SUPERVISOR.<sup>1</sup>

You are proposing to enter upon the new profession of "Welfare Supervisor"—a profession whose emergence from obscurity and rapid development during the last few months have been among the many unexpected and remarkable results of the Great War. It is a profession which is not going to be restricted to women, either in its *personnel* or in the scope of its duties. But it is in relation to women that its opportunities are most evident and most forcibly appeal to the public sense of fitness; and it is to women who propose to work among women that I am now addressing myself.

For such a career health and intelligence and sympathy are the primary requirements, and these are gifts that no course of special training, long or short, can ever supply. But, even given these qualifications, it is very properly realised that for the great majority of would-be Welfare Supervisors, if not all, some sort of special training is very desirable. The preparation in many cases may be the unintentional result of protracted and diversified experience passed through by a naturally intelligent and sympathetic woman. I daresay some of the most successful of the new Supervisors will be women who never took a "course" of any kind since they left school. But there are far too few of such experienced women to "go round," now that the country has awakened to the need for their services. Some systematic plan has to be devised by which others—many others—can be prepared, as effectively and speedily as may be, for the new field of activity; and it is to me a peculiarly cheering thing that at this juncture those who are best capable of judging turn to the modern universities to supply the want. It is cheering because it indicates their belief that the universities are at least trying to get out of the old ruts, and are ready to break with conventions, if only they can put themselves into a living relation to the requirements of modern life. And yet I assure you that

<sup>1</sup> An Address introductory to a Course for Welfare Workers arranged by the University of Birmingham in conjunction with the Birmingham Women's Settlement, October 2nd, 1916.

we who are concerned with university teaching do not wish to exaggerate the share we can of ourselves take in this matter. We ought to have the art of teaching those things which can be made the subject of formal instruction: we ought to enjoy, and we ought to take care to deserve, a reputation for impartiality; and we ought to furnish a centre round which the most diverse forms of social service may gather without losing their independence. But intimate personal knowledge of working-class conditions in the home and in the factory; understanding, based on long practice, of the actual working of industrial organisations, of the machinery of local government, of the operations and effects of philanthropic agencies; and, above all, that sort of practicality which comes from long and diversified experience—these are what we university teachers, in the very nature of things, cannot possess. And hence in this matter of training the university must seek the closest co-operation of those outside its class-rooms who are actually engaged in social work. This co-operation we in Birmingham have been fortunate enough to enjoy for some years: and I doubt not that every modern university situated in the midst of an industrial population will find it possible to bring about a similar alliance.

Let us look now at the outstanding features of the modern industrial situation as it concerns your future work. You look forward to becoming welfare workers in *factories*. It is the factory which is to be the scene of your labours, and the conditions of factory life which have called for your appointment. Now the factory (or mill or works) is not yet, if it will ever become, the only form of manufacturing organisation. The complete victory of the factory, which was predicted three-quarters of a century ago, has taken longer to bring about than people used to anticipate: a surprisingly large amount of production still takes place in small workshops; and the presence of small workshops, side by side with great factories, creates some of the most awkward difficulties in the way of social reform. Still, the factory (or mill or works) occupies by far the larger part of the industrial field, and constitutes the characteristic industrial problem of our own days. And therefore it is important to realise what it means and what it involves. It means, to begin with, the performance of mechanical work by what we significantly call “power”—i.e., non-human power—steam or electricity. Muscular effort—the effort of lifting, carrying, pushing, thrusting, cutting, and the like—is almost entirely replaced by the performance of machinery. The human agent—apart from the



Capital and Labour produced by Machinery. I need not labour the point that this separation is rendered deeper and wider by the modern method of securing the necessary provision of large capitals by the formation of joint stock companies. The outcome of it all is that, on the side of what we speak of as "the employers"—by which we must mean all those, whoever they are, who provide the capital—the profit- or income-making purpose of business tends to become the exclusive preoccupation, so far as their "investments" are concerned, however unselfish and generous they may be in the *expenditure* of their income. I am not necessarily blaming them: without dividends there would be no investments; and investment of capital is the means by which modern communities have been enabled to reach even the modest degree of comfort we have so far attained to. But the profit-seeking impulse may often be short-sighted, both in the public interest and in its own interest properly understood.

The situation with respect to labour has been profoundly affected by two other facts. The one is that machinery has become so vastly important that it tends in the eyes of its proprietors and managers to become all-important. The human attendance on the machine seems to be so subsidiary; it *seems* to call for so little exertion, so little intelligence, that there is a certain unconscious tendency to disregard it, to take it, so to speak, for granted. The other is that, with the extension of markets and the pressure of competition, the commercial side of business management becomes the daily and anxious care of those responsible to the shareholders. Commercial policy and mechanical equipment between them thus take up so much time and thought on the part of the management that labour conditions are apt to be left out of account until they begin to give trouble.

Turn now to the other side, that of the workpeople, and notice, first, the effects of mere aggregation. Conscious or unconscious imitation is perhaps the strongest of psychological forces. You cannot possibly bring large bodies of workpeople together and expect them to behave as they might if they were isolated individuals. How infinitely important for good and for ill is the "tone" of a shop you will soon discover as Welfare Supervisors. But consider especially how the unconscious formation of shop standards affects the pace and continuity of production under the conditions of "cash nexus." It is hopeless to expect masses of workpeople who are occupied in a monotonous task, performing only one of the numerous processes

which lead up to a product they probably seldom see in its final form, for a distant or foreign market of which they have no conception, and under conditions of competition with other concerns and other countries which they have no means of gauging, it is hopeless, I say, to expect of them a realising sense of anything outside their wages. When the question is put to them whether they will increase their output and get better wages, their first thought, whether formulated or not, is whether the increased wage is worth the additional exertion. They may prefer to work fewer days, or fewer hours, or at less strain and go without the additional wages. We are trying to look at the situation impartially, and not pronouncing offhand whether this is laziness or a wise economy of strength. Their second thought is whether, when they have got into the way of producing more, they will go on getting the higher wages or whether the piece rates will not be reduced. Hitherto, as all intelligent business men of wide experience will readily admit, the working people generally have had abundant cause for doubt as to the permanence of larger wages due to greater exertion. If the management thinks it can get the increased output at lower cost, the profit-seeking impulse, which is the moving force of business, pushes it in that direction—often, it must again be added, quite short-sightedly. Moreover, the single concern is seldom quite independent in this matter: so long as competition works without restraint, one enterprising (or ill-advised) concern may force all the others to reduce rates against their will—or, what comes to the same thing, may be mistakenly supposed by its rivals so to force them. The way out of the difficulty is, I believe, only to be found in the existence of strong combinations on the side both of the employing concerns and of the workpeople: on the part of the employing concerns to bring the opinion of the leading men of the trade to bear upon those concerns which would fight for their own immediate interests without regard to the interests of the trade as a whole; on the side of the workpeople to safeguard standards once attained by using their power of withdrawing labour.

So far I have been speaking of workpeople without distinction of sex; and, indeed, what I have said so far will apply equally to both sexes. But the presence of women in factories brings additional elements into the problem. Again we need not stop to introduce comparisons between this and the pre-factory age. Some comparisons commonly drawn are probably exaggerated; for instance, we probably underestimate the

part which women played in industry long before the factory *régime*. In the case of women, as of men, the problem is changed in quality if only because it has so enormously changed in quantity, and in the elements of aggregation and dependence on machinery. The machine, by removing the strain from muscle, makes industrial employment possible for women on a vast scale; and the tendency towards division of labour, towards the limitation of the industrial worker to "processes" and "repetition," opens wider and wider fields for their employment. But women, while they enjoy certain natural advantages due to sex, are subject to certain disadvantages due to sex. I pass over the conditions due to health, and nerves as dependent upon health, and the special forms which moral dangers assume in relation to women. These subjects will all engage your attention in this course. It will be sufficient for me here to indicate some of the industrial consequences of sex as the world is now constituted. One is that, for the vast majority of women, industrial employment is not a career, but a stage in their lives preceding marriage. This means that they cannot be expected to take, and in fact do not take, as much interest as men in the conditions of their employment. The economic or political considerations, which might conceivably stimulate to larger output, would weigh even less with them than with men, while the motives for combination among themselves to secure larger remuneration are far weaker. As a rule they receive less wages; I will not stop to consider why—whether it be due to family life, or to less productive efficiency, or to greater docility. There is the fact, however produced, with its consequences for those women who have to support themselves or others. And the diversion of interest on the part of the management from Labour to Machinery and Markets is apt to be more complete the cheaper and the easier to obtain that labour seems to be.

Upon an industrial world so constituted has come the Great War, and within a few months it has revealed to every discerning onlooker the defects which previously had been realised by but few. These defects had never before secured general attention, for obvious reasons. The geographical accident of Britain's possession of abundant coal and iron in close proximity; the advantages derived from the maritime supremacy established in the Napoleonic Wars; the delay in Germany's return to unity; the interruption of America's development by its Civil War—these and other causes had allowed England to get a long start over other nations. Moreover, other countries had the same

factory system and were subject to the like industrial consequences. England had a long tradition of business success and business self-satisfaction; its factories and works had grown up slowly, and many of them had never been consciously planned in view of the social and hygienic requirements of massed production; there had never been a time when the country in general, or manufacturers in particular, had really been pulled up and forced to take stock of the situation. The war has brought such a stock-taking; in the industrial sphere, as in every other sphere, it has been a Day of Judgment. It has made apparent to everyone that the present factory system, superior as it must be reckoned to what preceded it as an organisation for production, is nevertheless largely defective even for that purpose. The slow pace of production and the interruptions in its course, due to labour difficulties, of which everybody is now aware, have been the result not of blind stupidity on the part of workpeople, nor of mere greed on the part of employers, but of the very conditions of ordinary factory operation working upon average humanity. In a sense everybody, on both sides of the wages contract, is to blame; in another sense, nobody is to blame. But into this problem I can enter only so far as it concerns you directly as future Welfare Supervisors. You come into the industrial field just because the war has made everybody realise what few had realised before, that the importance of the human element in comparison with machinery was grossly underestimated—that the labour side of business was, even from the point of view of productivity, by no means so negligible as had been thought. Make your machinery as automatic as you like, yet somehow, and for the most diverse reasons, the health and comfort, and such intangible things as the spirits and temper of the workpeople, do count in the matter of output. And problems closely connected with the efficiency of the labour force, though arising outside the factory walls—problems such as those of housing and transport and food and recreation and rest, which have long existed, but have not been insistent enough to secure attention—have, with the new and even greater aggregation of labour to meet a need vital to the whole country, become gross and palpable. A more careful and intelligent regard to the welfare of their employees, and the employment for this purpose of educated women of judgment and knowledge, has now been urged upon all Controlled Establishments for the sake of increasing output—increasing output, not for the benefit of the shareholders, not even for the benefit of that idol of the past

called the Consumer, but for the sake of our men in the trenches, and through them, most of us believe, for the sake of the highest interests of civilisation. You Welfare Workers, therefore, while you must not unduly magnify your office, ought to be daily helped by the stimulating thought that your work is in the best of senses patriotic. And the goal before you is not only to help now, but to make "welfare work" so evidently contribute to production that, when the war is over and the factories of the country cease to be "controlled," you will be retained by the management as a matter of course.

It would, however, be an inadequate interpretation of the meaning of this new profession of Welfare Supervisor to explain it as entirely due to a true perception of the contribution it may make to productive efficiency. It is an outcome, also, of the creation of a national conscience, in circumstances which have allowed that conscience to be applied. It is not that business managers have been devoid of conscience; they are human beings remarkably like most other human beings, and there have been splendid instances of the most anxious attention to the welfare of operatives from the most unselfish of motives. But as the world of industry has, in fact, been constituted, conscience was too generally kept quiet by custom, or weakened by a conflict of apparent duties, resulting from a sense of trusteeship for the shareholder. But now the Nation as a whole has become, in a very real sense, the ultimate Employer. It is the Nation that has to pay for the product—in taxation now and for indefinite centuries to come. It is the Nation that, in the interest of production, has forcibly suppressed for the time much of that freedom of movement which was among the safeguards—inadequate, indeed, but not entirely ineffective—of the operatives' interests. No worker in a munition factory, man or woman, is now allowed to go to another employer to better his or her position. And the Nation, thus really employing and thus visibly restricting the workpeople, inevitably assumes a responsibility for their welfare; and the Ministry which represents it is thus led to urge welfare supervision upon Controlled Establishments and bound to introduce it itself in National Establishments, not only because it pays in the matter of production, but because it is inherently right. Certainly a Ministry of Munitions in the midst of so terrible a struggle of the nations could not, even in these democratic days, turn aside from its immediate task to promote philanthropic schemes unless it had excellent reason to believe that they would directly contribute to the primary end

in view—the winning of the war. But for once the narrowest Utility and the widest Humanity have met together.

Ladies who are looking forward to the new profession will perhaps be patient with me if I venture to add a few words of warning. You are entering upon work full of interest and promise, but surrounded by all the risks of the experimental. Welfare Supervision is a field whose limits are at present undefined. In the well-known White Paper of the Ministry of Munitions will be found a pretty long list of the various activities already actually carried on in one or other Controlled Establishment. But you must not think that you can at once undertake all the various duties there recited. In most establishments you will be expected to superintend the canteen; you will be expected to do "first-aid work," or to co-operate with the nurses already employed. But beyond that the management will often be quite vague as to your duties, and you will have to create your own positions. You will have to go slowly and tactfully, doing at first simply what you are asked to do. Most of you will have had no intimate knowledge of inside factory conditions or of the habits and opinions of factory girls, which differ indeed in the several districts and the several kinds of labour. In some quarters you will be received with a certain distrust by the management, and you must not justify that distrust by any air of superiority or by anything that can fairly be called meddlesomeness. If you notice, as you probably will, things which may be improved, you will not blurt out unwelcome truths without regard to person or season, but wait until you find a suitable time to make quiet and well-informed and definite representations to the suitable people. You must assume that the managers and foremen or forewomen want to do the right thing; you must assume that if apparently obvious reforms are not made at once there are difficulties in the way, to be recognised clearly before they can be overcome. The influence of a clear-sighted and experienced woman with a practical turn of mind in the position of Welfare Supervisor or Lady Superintendent can be most beneficial and steadily growing, but it will not come easily to all of you. Believe me, fine feelings, even acute intellects, do not by themselves go anything like so far as people sometimes think. If the managers can tell the directors in a few months concerning one of you: "She knows her job," and "She knows how to get on with people," you will have earned the reputation that is most useful alike to women and to men. Behind all your prudent, unemotional outward bearing there

may be, there must be, a deep fund of human love and sympathy and reliance upon what you feel to be the highest in this universe; but you need not wear your hearts upon your sleeves.

In relation to the workwomen there is another and equally important set of considerations to be borne in mind. I do not think I need warn you against sentimentality. Women are the unromantic and sensible sex, at any rate in relation to other women: they see their fellow-women without any disturbing glamour; and I don't know whether they are not likely to be too hard rather than too soft when the first novelty has worn off. What you must bear in mind is that a very large number of the workwomen will regard you for some time with a certain coldness—not to say suspicion. You must remember that to them you are at first simply another forewoman, representing the employer; you must remember, also, that many of them are very much afraid of being “done good to.” They are satisfied with themselves as they are; they are conscious, as you cannot be, of their own pleasures and their own troubles; they have no reason to believe that you are any better essentially than they are, though you have been more fortunate in some respects; and they certainly won't fall romantically in love with you like schoolgirls. Moreover, those of you who have already had opportunities of intimacy with working women will bear me out when I say that there is a new spirit of independence abroad among working women, especially those engaged in munition works. They have obtained a new importance in the world of which they cannot be ignorant. They want to be as free as men and to carry on their work and their play as freely as men do. Such a spirit is doubtless a necessary stage in human progress; but it brings with it new risks. Your object must be to respect even a fierce spirit of independence, to gain the women's regard by your competency and by your fairness, and to secure their willing co-operation wherever it is at all possible. The more self-governing they can be helped to become in all the discipline of the shop and in all the recreation put within their reach the better it will be.

Have I alarmed you by these glimpses of pitfalls on both sides of the road? Then let me end by the commonplace but true remark that there is no credit in doing an easy thing. I cannot conceive work more interesting than yours is going to be or more full of promise for Britain and the world.

W. J. ASHLEY

## THE SPITALFIELDS ACTS, 1773-1824

THANKS to Mr. and Mrs. Sidney Webb, the Spitalfields Acts, which no economic historian—hardly even a student—can afford to ignore, have become a classical illustration of the fact “that the House of Commons remained innocent of any general theory against legislative interference long after it had begun the work of sweeping away mediæval regulations.”<sup>1</sup> It was not the business of the authors of the *History of Trade Unionism* to examine the Acts and their working in any detail. But they are worth examination, as is the whole economic history of that product of immigrant skill and extreme mercantilist regulation—the British silk industry of the eighteenth and early nineteenth centuries. A contribution to this wider inquiry was made a few years ago by Mr. G. B. Hertz,<sup>2</sup> who gave incidentally a fuller account of the Acts themselves than any recent writer; but neither was Mr. Hertz “out for” the Acts, their antecedents, the business and social world to which they applied, what you may call, as you please, their mediævalism or their modern note, their imitations, just how they worked, or why they were repealed. The Parliamentary Papers of the early nineteenth century, together with certain other sources of less value, have a good deal to tell anyone who cares for these things.

There is no need to spend time in proving that the Spitalfields industry of the eighteenth century was mainly “capitalistic.” The normal weaver was, and always had been, a wage-earner, though the masters were not infrequently recruited from among successful weavers, and some of these masters were only in a small way of business. A typical manufacturer, during the whole of the period 1760-1830, would either buy silk, possibly from abroad, more or less ready for the loom, or would have raw silk thrown, twisted, dyed, and in other ways prepared for weaving by throwsters, spinners, and the like, in various districts outside

<sup>1</sup> *History of Trade Unionism* (1902 ed.), p. 48.

<sup>2</sup> *The English Silk Industry in the Eighteenth Century*, *English Historical Review*, XXIV., 710 (1909).



London.<sup>1</sup> Spitalfields and the adjacent parishes were simply a weaving area, conveniently near to the landing-place and market for the raw silk and to the greatest centre of consumption.

That the trade was what would to-day be called an organised trade before the passing of the Act of 1773 is highly probable. For the Act was connected with difficulties arising from the faulty working of something very like a modern trade agreement in a piece-work industry. There was a "book," or list of piece-work rates, "an agreed list," "that had existed long before I had existence," said an old foreman, by name Edward Jones, who perfectly remembered the facts, which list was, "about the year 1767, broken in upon and violated."<sup>2</sup> The antiquity of this "book" would be a curious inquiry. Its breakdown produced the usual eighteenth-century expression of public opinion—an outbreak of brutal rioting. Bands of weavers "traversed the streets at midnight, broke into the houses, and destroyed the property of the manufacturers," the old foreman said. A less trustworthy witness, some years later, told how weavers were executed, and how "a person of the name of Clark, who was discovered to have been the informer, was dragged to a pond and thrown in, and was pelted to death."<sup>3</sup> According to Jones, one result of the rioting was that masters and men met again and drew up a fresh list in 1769. Four years later came the first Spitalfields Act, 13 Geo. III., c. 68, whose main object was to prevent the recurrence of such troubles; though apparently it was not a mere bit of panic legislation, as was often asserted in after years. It authorised the Justices of Middlesex, the Tower Hamlets, and the City to "settle, regulate, and declare" the wages of silk weavers in their

<sup>1</sup> See for the close of the period the *Report of the Select Committee on the Silk Trade*, 1832, Q. 4805, *sqq.* Q. 5275 *sqq.*, etc. A manufacturer might, of course, be himself connected with a throwing mill. The point is that throwing, spinning, etc., were not London industries. There is an interesting return of looms employed by fifteen Spitalfields manufacturers in the *Report of the Select Committee on the Petition of the Ribbon Weavers*, 1818 (*Accounts and Papers*, IX., 5, p. 195). The average is 58. Only five employed less than thirty looms; three employed over 100. There were, however, still in 1823 a large number "that employ 10, 20, 30, and 40 looms" in the trade, and a few working weavers who bought silk and sold their fabrics to warehousemen. *Lords' Committee on the Bill to repeal four Acts relating to the wages of persons employed in the manufacture of silk*, 1823. *Lords' Sessional Papers*, CLVI. 57, p. 20. (Evidence of Wm. Hale.)

<sup>2</sup> *Lords' Committee*, 1823 p. 33 *sqq.* The existence of this book is not referred to in the *History of Trade Unionism* (pp. 48-9), where it is implied that the collective bargaining referred to below grew up out of the Act. It looks as if there had been something like it long before.

<sup>3</sup> *Handloom Weavers' Commission*, 1840. *Assistant Commissioners' Reports*, II., 359. Recollections of a person who was "very young" at the time. He must have been very young.

respective areas. All accounts agree as to how they did it. If committees of masters and men had not first discussed the piece-rates separately and then jointly, the Justices instructed them to do so. In the early days they generally managed to fix matters up. The "magistrates of three jurisdictions always agreed to the same thing"<sup>1</sup> and the collective bargain was made binding. It became a punishable offence to give or receive less or more than the duly sanctioned piece-rates.

If the parties did not agree, the magistrates took evidence and heard counsel. On the very technical points involved they were hardly competent to decide. "It is stated that they confined themselves to inquiring as to the price of provisions and what the weaver could earn, and decided accordingly."<sup>2</sup> It is also stated that they generally favoured the men. As most of their decisions were made in times of dear food, this is not unnatural. There is no need to endorse the solemn pronouncement of the critic of 1840: "It is in the nature of things that magistrates should decide on the popular side, and be prone to exercise a liberality which is not at their own expense." One manufacturer asserted, in 1823, that "the last time we appealed to the magistrates they were with us. The period I allude to was . . . at the time of the Peace of Amiens."<sup>3</sup> About that time the whole system began to ossify. The magistrates' decisions had at first been published in the papers. In 1874 they were collected into a book of fabrics and prices. The last version of this book appeared in 1806. "I have assisted," said a witness in 1818, "in forming all the list prices that have been made since 1784, a general one in 1795 [this was to meet the high prices of that year]; another in 1800; another in 1802; another in 1804; an explanatory one in 1805; and the last in 1806, a general one; and then by the desire of the masters and men I compiled the present book."<sup>4</sup>

Two clauses in the Act, which have nothing to do with wages, are of considerable interest in relation to the industrial organisation of the trade. By one of these, masters resident within the statutory areas were not allowed to employ persons resident outside those areas. This, as will appear, became a special masters' grievance in the nineteenth century. By another clause, no weaver was to have more than two apprentices at a time. This "mediaeval" clause would indeed prevent the exploita-

<sup>1</sup> *Handloom Weavers' Commission*, 1840. *Assistant Commissioners' Reports*, II., 259. See also the account of Thos. Gibson in 1818 (*Ribbon Weavers*, p. 141) and Wm. Hale in 1823 (*Lords' Committee*, 1823, p. 7).

<sup>2</sup> *Handloom Weavers*, II., 360.

<sup>3</sup> *Lords' Committee* of 1823, p. 7. But see below.

<sup>4</sup> *Ribbon Weavers*, p. 188.

tion of apprentice labour by the master weaver; but it could not work in an "anti-capitalistic" sense, as the mediæval rules of this type were meant to work, since the weaver in this case was not the ultimate employer. It might even tend to check rises from the ranks of weavers to those of manufacturers; for so long as a man was himself engaged in weaving he could not hope to employ many hands. It also checked the expansion of the London industry, or was alleged to have done so.<sup>1</sup>

Between 1780 and 1812 the Act was once imitated and twice extended. By 19 and 20 Geo. IV. (I) it was imitated by the Irish Parliament for Dublin. By 32 Geo. III., c. 44, it was extended, for the London area, to include fabrics of silk mixed with other materials, such as bombazines and poplins. This was, no doubt, one cause of the active revisions of the book between 1795 and 1806. After the book ossified a most interesting extension was made. By 51 Geo. III., c. 11, journeywomen were brought within the Act. There were a large number of journeywomen in London, many of whom had served regular apprenticeships for five or seven years.<sup>2</sup>

In the early nineteenth century the industry was spreading far beyond Spitalfields. The statement made by an employer in 1821, that "a few years ago the silk manufacture was hardly known beyond London,"<sup>3</sup> was no doubt exaggerated; but there was certainly in these years an extension of the weaving industry in such places as Braintree, Bocking, and Coggeshall; Sudbury, Lavenham, and Haverhill; Reading, Newbury, Andover, and Whitchurch. The practice in these districts was to pay only two-thirds of the Spitalfields prices.<sup>4</sup> Further afield were Coventry, with its ribbons; Norwich, which did a large trade in mixed goods of wool and silk, especially bombazines; Macclesfield, whose original trade was in silk handkerchiefs; and other Northern districts, now including that of Manchester, which was competing with London in various lines. As the law stood, a London manufacturer was not allowed to put work out in the neighbouring counties; but, certainly after the peace and perhaps before, this rule was evaded. If the capitalist could himself move, say, into Essex, there was nothing to prevent his still giving out work in Spitalfields; but many of them managed to give work out in Essex without deserting

<sup>1</sup> *Lords' Committee*, 1823, p. 124. Thos. Gibson, a manufacturer.

<sup>2</sup> *Ribbon Weavers*, 1818, p. 44. Evidence of a Spitalfields master.

<sup>3</sup> *Lords' Second Report on Foreign Trade*, 1821, p. 26. It was true only of the broad silk manufacture. *Lords' Committee*, 1823, p. 123.

<sup>4</sup> *Handloom Weavers*, II. 285. Dr. Cunningham (*Growth of English Industry and Commerce*, 1912, II., 519, n.) says "the Essex district . . . fell within the Spitalfields Act." I find no evidence of this.

London, "of course conducting" their country businesses "under other names."<sup>1</sup> There were some convictions for this breach of the Act, but not enough or decisive enough to stop the practice.<sup>2</sup>

No doubt this country competition made some employers, during the second decade of the nineteenth century, increasingly impatient of the Acts. Their impatience was stimulated by rapid changes of fashion, especially the introduction of new French fabrics after the peace, and the difficulty of creating or adjusting legal piece-rates in time to catch or retain new lines of trade. One result of this was that piece-rates for many new fabrics were made between individuals without any legal decision at all;<sup>3</sup> but this, of course, was a risky proceeding so long as the Acts were alive. There had been some negotiations for a collective bargain dealing with various new classes of goods in 1814, but they fell through, and most of the fabrics remained unregulated.<sup>4</sup> Another result was that the country manufacturers, having got a footing in a new line of business, often could not be ousted. The bombazine trade, for instance, had for some time been established at Norwich; quite naturally, for bombazines had a worsted warp and so were as appropriate to Norfolk as to Spitalfields. London men, finding their business slipping away, tried in 1816 to get the bombazine piece-rates reduced. They failed, and within a few years the trade had left London altogether.<sup>5</sup>

It is significant that in the previous year an old unofficial "book" of piece-rates, resembling the Spitalfields books of the days before the Act, broke down at Macclesfield under the pressure of Manchester competition.<sup>6</sup> Those London masters who knew about this, and whose businesses lay open to country rivals, would naturally argue towards the abolition of the Acts, the more so as Parliament had just repealed the wage-fixing clauses of the Elizabethan Labour Code.

But the men, in London and out of it, together with far more masters than one might expect, clung to "the method of legal enactment." They even managed to convince a Committee of the Commons. In 1818 the weavers of Coventry, whose special

<sup>1</sup> J. Ballance, a master, before the *Lords' Committee*, 1823, p. 105.

<sup>2</sup> *Ibid.*, pp. 166-7. Evidence of Ambrose Moore. A leading master, Stephen Wilson, said it was "not fair" to press him to give information on this matter, p. 157.

<sup>3</sup> Thos. Gibson, master. *Lords' Committee*, 1823, pp. 129, 144.

<sup>4</sup> Stephen Wilson, *ibid.*, p. 171.

<sup>5</sup> Stephen Wilson, *ibid.*, p. 170. Wilson made bombazines himself, and so was not unbiassed; there is no doubt that they did leave London, but whether this was all due to the piece-rates or not one cannot definitely say.

<sup>6</sup> *Ibid.*, p. 197.

troubles do not concern us, sought salvation in an extension of the Spitalfields Acts to their trade. And the Committee to which their petitions were referred reported that this was desirable, at least as an experiment "for a period of a few years."<sup>1</sup> This recommendation was no doubt in great part due to the strong support of the Act at this time by the rank and file of the Spitalfields manufacturers proper. Nearly ninety employers signed a petition in its favour.<sup>2</sup> It prevented disputes, they said. Men could not drive wages up unduly in good times, nor masters drive them down unduly in bad. Clever men were not discouraged, as was often asserted, for they worked faster than fools. The poor rates were kept down. The district lived "in a state of quietude and repose." Weavers in London were not overpaid, and the best cure for the undoubted difficulties of the trade was the extension of the Silk Acts to the country at large. One of the signatories of this petition pointed out that disputes and hostility to the Acts were due mainly to the fact that some masters were not themselves operative weavers.<sup>3</sup> Here the cleavage of opinion between large and small masters is very apparent. The fact was that the big men in the silk industry, who were fast becoming hostile to the Acts, were often City men, not Spitalfields men. They were the capitalists whose eyes saw beyond the old local manufacture of fine, plain, broad silks and beyond the old modest profits, "quietude and repose." They sold goods and bought silk in a wholesale way, whereas the majority of these signatories were "wholly unknown" to a leading silk broker, because most of them were in too small a way of business to buy so much as a whole bale of raw silk.<sup>4</sup> The small men thought in Spitalfields terms, clung to the Acts as the bulwark of their district against pauperism,<sup>5</sup> and—being mainly in the staple trade—did not worry much about outside competition. The big men, who made experiments and had knowledge of the new commercial and industrial world, thought the Acts a relic of barbarism, an interference with capital and political economy, and a nursery of combination.

For combination was now reckoned a horrid thing, whereas in the eighteenth century, combination, at least among the Spitalfields weavers, had evidently been taken for granted by all parties. The Acts encouraged a "spirit of combination," Stephen Wilson told the Committee of 1818, as a strong point against them. To back his statement he put in evidence a set of rules "To be observed

<sup>1</sup> *Ribbon Weavers' Report*.

<sup>2</sup> *Ibid.*, p. 196.

<sup>3</sup> *Ibid.*, p. 180.

<sup>4</sup> E. Durant before the *Lords' Committee*, 1823, p. 202.

<sup>5</sup> There is a great deal of evidence on this point in the various inquiries.

by a few friends called the *Good Intent*." Article 3 of these rules provided for out-of-work pay to a man refused work "that demands his legal price."<sup>1</sup> Another master, one Ambrose Moore, said "it was notorious"<sup>2</sup> that the men had a permanent paid committee. "He apprehended there was constantly a committee." "They indeed absolutely levied taxes on all weavers residing in Spitalfields." The weavers, the Combination Laws being still unrepealed, were rather evasive about this committee. Their subscription, called "the penny ticket," was entirely optional, they said. They needed money to protect the Act. They never struck. "There was no committee at all in existence." Well, "there were a few men who received the money what were called the Finance." In case of dispute they did appoint "what you might call a committee, if you thought fit." Yes, "there was a secretary to the trade."<sup>3</sup> A manufacturer favourable to the men, who had himself risen from the ranks, declared that "for such a thing as a standing committee there is no such thing, nor has been one for thirty-four years; they are made choice of for a temporary time, and as soon as the business is over . . . they are discharged, and a new set of people are chosen."<sup>4</sup> From all of which it is pretty clear that there was a managing group among the weavers, "which you might call a committee if you thought fit." Anyhow, there was "the Finance," who perhaps were paid.

It was not, however, suggested that the silk weavers as a class were revolutionaries or enemies of order. In later years those who had known them in the days of their prosperity testified freely to their social virtues and their intellectual vigour. "It may appear strange," said Mr. Edward Church, who had resided as a solicitor in Spital Square for thirty years, from 1810 to 1840, "it may appear strange, but I believe the origin of many of our most flourishing societies may be traced to Spitalfields. The Spitalfields Mathematical Society is second in point of time to the Royal Society, and still exists. There was an Historical Society which was merged in the Mathematical Society. There was a Floricultural Society, very numerously attended, but now extinct. The weavers were almost the only botanists of their day in the Metropolis. . . . There was an Entomological Society, and they were the first entomologists in the Kingdom. The society is gone. They had a Recitation Society for Shakespearean readings. They had a Musical Society. . . . There was a Columbarian Society.

<sup>1</sup> *Ribbon Weavers' Report*, p. 59.

<sup>2</sup> *Ibid.*, p. 158.

<sup>3</sup> *Ibid.* Evidence of John Baker, a weaver, p. 195.

<sup>4</sup> *Ibid.* Evidence of Mr. Buckeridge, p. 189.

. . . They were great bird-fanciers and breeders of canaries, many of whom now cheer their quiet hours when at the loom. . . . Many of the houses in Spitalfields had porticos, with seats at their doors, where the weavers might be seen on summer evenings enjoying their pipes. The porticos have given way to improvements in the pavements,"<sup>1</sup> and so on. Without accepting every touch from this amiable Pickwickian *laudator temporis acti*, one does get an attractive impression. One must not forget the "person of the name of Clark," pelted to death in a pond; but that was before Mr. Church's day, even before the Act. And England had civilised a good deal between 1770 and 1818. No one in 1818 accused the weavers of rioting, only of combining.

Not all those who criticised the Acts in 1818 were hostile to any and every form of official regulation. Thomas Gibson, for instance, put forward the suggestion that only what he called the penal part of the law should be abolished. If master and man found it to their interest to diverge from official rates one way or the other, they should be free to do so without risk of punishment, official rates only coming into operation when the parties could not agree.<sup>2</sup> Gibson was not biassed, for his criticism of the Acts on the technical side was trenchant. The Justices, being ignorant of the business, had merely recorded trade agreements, and could not really interpret them in case of dispute, or do anything effective when no agreement was reached. As things were, it was no defence in the Courts for the weaver to testify that he had agreed to a non-legal rate; so special agreements for special fabrics were ruled out, so far, he might have added, as the Acts were really operative. It was impossible to reward exceptional men. It was difficult to give work to the aged and infirm, or to give work at low rates to keep men employed in slack times. (One recognises the familiar criticism of Trade Union rates in later years.) Finally, the technical basis of the piece-rates in the book was all wrong: they were based on the number of shoots per inch, whereas the quality of the silk was really far more important. Another witness, Stephen Wilson,<sup>3</sup> a thoroughgoing enemy of the Acts, pointed out how they hindered mechanical improvement. Masters had to pay the same rates whether labour-saving appliances were used or not. This "the magistrates affixed in p. 10 of their book of prices." So, of course, labour was not saved. Such a law in the cotton trade, said Wilson, would have ruined Arkwright.

<sup>1</sup> *Handloom Weavers*, II., 216.

<sup>2</sup> *Ribbon Weavers*, p. 141 *sqq.*

<sup>3</sup> *Ribbon Weavers*, p. 51 *sqq.*

Some of these criticisms were clearly valid; but there were those who thought that many of them might have been obviated had the masters shown more willingness to meet the men and bring "the book" up to date. One of the stock complaints against the Acts was that their rigid rates were driving trade out of London, which was no doubt to some extent the case. "They had driven away crape, gauze, bandanna handkerchiefs, and bombazine in turn," said Stephen Wilson. Bandannas had gone to Macclesfield, bombazines to Kidderminster and Norwich, crapes and gauzes into Essex and elsewhere. Three years later he added to his schedule of lost fabrics "all small fancy works."<sup>1</sup> This loss of fabrics became the regular epitaph on the Acts after their decease. "It has never been disputed," wrote the ingenious Dionysius Lardner, LL.D., in his *Cabinet Cyclopædia*.<sup>2</sup> But it was pointed out to the Lords in 1823 that this was no necessary consequence of the Acts themselves, but only of an unwillingness to work them. "I submit," said a certain John Ballance, "that the . . . Act would have been a perfect nullity, abstractedly speaking, if this book of prices had been, which it might have been, revised by both masters and men; so that the schedules adopted at Manchester and Macclesfield might have been a foundation upon which the revision might have proceeded, the Act authorising such a revision. I have never found any unwillingness in the men to meet the masters, but the reverse."<sup>3</sup> Of course, if they had met oftener in these years revision might have failed, as it did in 1814; but there is a good deal of evidence which suggests that the big masters were determined not to bargain collectively in any event.

Nothing came of the recommendation of 1818. Three years later the Acts were again under discussion when a Committee of the Lords was examining the silk trade. As the matter in hand was one of tariffs, small folk were not consulted. The report denounced the Acts, especially that part of them which prevented a master from employing "in what part of the country he thought most advantageous any portion of his capital." Their Lordships were of opinion that the Acts tended to banish trade from Spitalfields.<sup>4</sup> The end was now drawing near.

On May 9th, 1823, a petition against the Acts was presented to the House of Commons. The petitioners, Spitalfields manu-

<sup>1</sup> *Lords' Report on Foreign Trade*, 1821, p. 40.

<sup>2</sup> *Lardner's Cabinet Cyclopædia. Silk Manufacture*, 1831, p. 79.

<sup>3</sup> *Lords' Committee*, 1823, p. 59.

<sup>4</sup> *Lords' Second Report on Foreign Trade (Silk and Wine)*, 1821, VII. 421, p. 6.



facturers, stated that the silk-working population in London was declining; that fancy silk goods in imitation of the French could not be made there; that they who lived there might not employ country weavers; that some of the Justices' rules as to fabrics were vexatious and ignorant; that improvements in machinery were hindered—that, in short, they were losing trade every day.<sup>1</sup> On hearing this, David Ricardo "could not help expressing his astonishment" that the Acts were still on the Statute Book. Wallace thought they disgraced it, and Huskisson concurred. He had long had his eye on them, he said, "but wished to convince the manufacturers first of the necessity of an alteration," which suggests some preliminary work with a view to conversions among manufacturers—work whose records have escaped us. Three days later he rejected a suggestion that a committee should inquire into the Acts. It was superfluous, he believed. On the 21st there came a petition in favour of the Acts from weavers at Sudbury. This drew Ricardo again. He thought "that this petition, coming from a district which was free and praying that a restriction might be continued in another district," was a most powerful argument against the Acts. Perhaps he was right. Perhaps, as he implied, the Sudbury weavers did want to draw trade from Spitalfields by underbidding it. But it is at least as likely that they feared, wisely or unwisely, for their own standard rate, which, it will be recalled, was by custom two-thirds that of Spitalfields. Ricardo's intervention led to a short debate, in which a few speakers pleaded for delay.

On June 9th Fowell Buxton, disclaiming all expert knowledge of political economy to which Ricardo had appealed, stating even that Dr. Smith had corrected his predecessors, and Mr. Ricardo had convinced him (Fowell Buxton) that Dr. Smith sometimes nodded, and that there might arise a man to correct Mr. Ricardo—Fowell Buxton took his stand on the facts, Sir. Spitalfields men were paid better than Coventry men. They said they would be ruined, and they ought to know. To which Ricardo retorted that if the Acts were so good as all that, why, they ought to be applied to every trade indiscriminately. But in spite of this clincher, the motion for a committee was only rejected by 68 to 60. Two days later the third reading of Huskisson's short Bill "to repeal four Acts of his late Majesty relating to the wages of persons employed in the manufacture of silk and of silk mixed with other materials" went through by 53 to 40. One of the minority pointed out that "the committee on the silk trade in the Lords, so far from recom-

<sup>1</sup> *Hansard*, IX., 143 *sqq.*

mending the repeal of the existing laws, recommended an extension of them," but this did not save the four Acts of George the Third. Nor is it quite clear to what committee of the Lords he referred.

The Lords had been bombarded with petitions against Huskisson's Bill. The weavers petitioned, of course. So did the local Overseers of the Poor and some of the masters.<sup>1</sup> Their petitions were referred to a committee, whose evidence—there was no report—is the last and best and least known account of the Acts and their working.<sup>2</sup> The very first witness, William Hale, a supporter of the Acts,<sup>3</sup> who had known the trade for forty years, made it clear why Huskisson and his backers had found the times ripe for repeal. Hale allowed that the trade had grown more in the country than in London, but, while admitting that the fancy trade had declined, claimed that London had many more looms than in his early days—this no later witness denied—and that trade had never been better than in September, 1822. There had, however, been definitely bad trade for nine months since. Obviously such a short period fluctuation could not be due primarily to a long period cause like the Acts. But bad trade made men ready, as it always does, to try alleged cures, quack or otherwise. One witness had only become a convert to repeal since the autumn of 1822, and no less than twenty-three of those who had signed the petition in support of the Acts in 1818 now prayed for repeal.<sup>4</sup>

Besides bad trade, there had been further trouble with the men, at any rate in the fancy business, since 1818. In 1819 the masters had tried to get the piece-rates cut down for an article called "Florets" in order to assist competition with outside districts. They met the men, but failed to convince the Justices. Their spokesman, Stephen Wilson, had declared that after this he would never go into court again.<sup>5</sup> Hale, who as a "plain" master had not been concerned in this award, had made an attempt, some time between 1819 and 1823, to bring the parties together. He himself had always found the journeymen, "after a little talking to, very tractable." He approached the masters, but "from most of them the answers were: 'We will never meet the journeymen again; we think that we should do away with the Bill

<sup>1</sup> *Lords' Journal*, LV., 782 sqq.

<sup>2</sup> There is a very full account, of which some use has been made above, in Part II. of the *Assistant Commissioners' Reports on Handloom Weavers*, 1840; but much of its best material comes from the evidence taken in 1823. I have never seen this evidence quoted in any other place.

<sup>3</sup> And author of *A Defence of the Spitalfields Acts*, 1824.

<sup>4</sup> *Lords' Committee*, 1823, p. 204, p. 117.

<sup>5</sup> Wilson's evidence, p. 171.

entirely; we think that the disposition of the Government is with us, and that the eyes of the country are open to better principles of political economy, and that we shall be able to accomplish the repeal of the Spitalfields Acts altogether.'"<sup>1</sup> Hale was in a considerable way of business; he employed from three to four hundred looms; but, as he admitted, there was far more capital on the repealers' side than on his. So that when his last attempt to make the Acts work had failed he was not very hopeful.

One last decision under the Acts was made within a year or two of repeal. "Narrow" goods, such things as ribbons, trimmings, and galloons, had never been the subject of an award. They were not a large business in London, so no special grievance had arisen. In 1821 or 1822<sup>2</sup> the masters agreed to regulation; committees met and orders were made by the Justices, to the great satisfaction of the men. This case suggests that goodwill on the part of the masters might have settled the "fancies" difficulty. But the big masters meant the Acts to go, as we have seen. They disliked the collective bargain. With more reason they disliked the rather wooden decisions of the Justices on technical points—widths and counts and numbers of shoots per inch.<sup>3</sup> Those of them who saw farthest were concerned most about the question of mechanical improvements. Stephen Wilson put in evidence a long list of mechanical devices known in different parts of the country, but never used in Spitalfields. He spoke with enthusiasm of a French loom—his descriptions suggest a Jacquard loom—which he had introduced, but which could with difficulty be fitted into the Spitalfields scheme of things.<sup>4</sup> Probably on this point he was right. Perhaps the men might have been induced to accept special rates when time-saving appliances were used, had the masters condescended to go into the matter with them; but the experience of to-day, after a century of the machine age, hardly suggests that, in its infancy, all the goodwill in the world would have sufficed in dealing with workpeople entrenched behind an Act of Parliament and supported by Justices who seem to have been as a rule friendly to the men's cause and always unfamiliar with technical considerations.

The Lords listened to all this conflicting evidence and had it printed.<sup>5</sup> More petitions came in against Huskisson's Bill; one from the Essex area, which was backed by certain of the clergy

<sup>1</sup> Hale's evidence, pp. 25-9.

<sup>2</sup> The accounts vary. Ed. Jones, p. 37, and T. Holt (a weaver), pp. 94-8.

<sup>3</sup> John Ballance, a "plain" master, who apparently found the rules too wooden even in his branch, p. 128.

<sup>4</sup> P. 173 *sqq.*

<sup>5</sup> June, 1823.

and gentry; others from Coventry, Nuneaton, and Macclesfield, whose weavers were concerned for the principle of the standard rate. But the Bill got its third reading without much discussion and with no amendments in principle. It did not become an Act that year, however. Reintroduced in its amended form in May of 1824, it went rapidly through all stages in both Houses, in spite of yet more petitions, and received the Royal Assent in June.

It is no doubt conceivable, had a score of things not happened before 1824 which actually did happen, that the Spitalfields rules, modified, might have become part of a national system for ensuring industrial peace. Speculation on such a matter is idle. As things were Ricardo's argument was decisive. You could not have one locality, or even one whole industry, controlled in this way and all others left to free and open competition. There was not governmental machinery or administrative ability available to regulate all industries, even—a large assumption—had such regulation been desirable. So Spitalfields was left to the laws of political economy as understood by Ricardo, and the history of the Acts remains a curious and untimely record of the difficulties which beset trade agreements, wage boards, and compulsory arbitrators in times of rapid economic change.

J. H. CLAPHAM

## REVIEW-ARTICLES

### THE REPORT ON FOOD PRICES.

*Interim Report, on Meat, Milk, and Bacon, of the Committee appointed by the Board of Trade to investigate the principal causes which have led to the increase of prices since the beginning of the War.* (Cd. 8358. Pp. 20. 2½d.)

WHEN Governments have failed to fulfil their primary function of preserving peace among the human race, and their subjects are involved in a sanguinary struggle, they cannot raise all the money they want by taxation, and they are afraid to raise even as much as they can by that method, because they know it would diminish warlike enthusiasm. So they borrow every penny they can at home and abroad on the security of the yield of future taxation and rake in as much as is possible by the issue of paper. Securing in this way an enormous amount of "money," they proceed to spend it in paying for warlike labour and commodities at a far more rapid rate than individuals in normal circumstances would have spent it, whether in luxurious living or in new investments.

Of course, to some very considerable extent, the more rapid spending tends to increase activity; the unemployed diminish or disappear, old men are kept on or return to the work from which they have retired, boys are dragged away from reluctant school authorities, prejudices against the employment of women are swallowed by the most pronounced misogynists, and under the stimulus of overtime-wages a certain amount of extra work is done. The more rapid spending has, in fact, as more rapid spending always does, produced a boom. But, again as usual, the increased rapidity of production does not come up to the increased rapidity of spending—and where the borrowing is enormous, it does not come nearly up to it. The Governments think they must have the services and commodities at whatever cost, and to hurry up the supply they offer higher prices: it makes no difference whether they are buying in an ordinary

market or whether they are bargaining with their subjects for the smooth working of a compulsory system—whether, for example, they are buying beef for their armies or paying allowances to the wives of conscripts. The inevitable effect is a rise in the prices of the commodities and services which the Governments demand and of those which are demanded by the private individuals whose money-means have been increased by the Governmental demand.

This means a rise so widespread that to ordinary apprehension it appears universal. It is true that the non-Governmental demand for new houses, new factories, new railways, and such-like things in which the savings of society are commonly “invested” is diminished almost to nothing by the diversion of savings from ordinary investment into Government loans, but the materials ordinarily used for these things and the labour ordinarily used in putting the materials together are for the most part nearly what is required for making munitions, so that their price does not fall, but rises. The rise, in fact, spreads over almost the whole field of durable goods. At the same time, that great and important part of perishable goods which we inaccurately call the “necessaries of life” also rises in price. In part this is due to the direct demand of the Governments for food and clothing for their armies: of course, the men in the armies were fed when they were civilians, but probably not on the whole so well, and certainly much less wastefully, than they are as soldiers. In part it is due to greater demand from the civilian remainder of the people. This arises from the fact that war requires so much simple “man-power”—physical strength coupled with courage and just so much mental ability as is necessary for the acquisition of rank-and-file skill—that the earnings of the lowest classes of labour are raised, both absolutely and in comparison with those of the higher classes. Moreover, army pay and allowances, being flat rates, also tend to increase the means of the poorest classes of the population compared with the rest. Now it is, of course, just these poorest classes who ordinarily have less of the “necessaries of life” than they would like to have. So, when they get more money, they try to buy more of these so-called necessities, and add their increased demand to that of their Governments.

So it comes about that the war boom, like other booms, partly, at any rate, and usually, in the end, completely, defeats itself so far as the working classes are concerned. They have got more money to spend, but in spending it they raise prices against them-

selves, and are not as much better off as they expected or even are worse off than they were before, and that although they are working harder and some of them may be more efficient than before.

They are naturally disappointed : they complain that they are being exploited—that “profiteers” are “taking advantage of the war” to display a wickedness which is mysteriously kept in check in time of peace. Middle-class newspapers see “good copy.” The great majority of the newspaper-reading public is always ready to listen to an accusation of scoundrelism against any small minority from whom it happens to buy some commodity : A to Y join cheerfully in slandering Z, without ever thinking that next week it will be Y’s turn to be slandered by A to X, with Z, who has now forgiven his favourite newspaper’s aberration in attacking his trade last week ; and so on, with never a thought of the handle given to the hated Socialist. Articles appear explaining that there is no shortage of this, that, and the other commodity and that the rise of price is due solely to the machinations of the “—— Ring.”

Then throughout the belligerent countries, and even in neutral countries if the war is a big one, poor, deluded souls cry to their Governments for redress. To their Governments ! To the very persons and organisations which by their evil disposition have brought the war about, or by their incompetence have failed to prevent it by the provision of alliances of peaceful Powers against disturbers of the peace.

If the belligerent Governments were both well informed and candid they would answer the cry for reduction of prices somewhat in this fashion :—

“We are sorry you are suffering, but not at all surprised. It always has been so in war, and always will be. If you did not want war, you should have elected different persons to your Parliament (or rebelled against your sovereign or the bureaucracy which rules in his name). If you are prepared to stop the war on any terms which the other side would be likely to accept, you had better say so in large numbers instead of clamouring for the imprisonment of the few who do. The war being here, we are afraid you must submit to some reduction of your consumption. Can you seriously expect to get as much as you did in time of peace ? We have taken away millions of able-bodied men from producing directly and indirectly the things which you eat and wear ; in hundreds of ways we are obstructing the production of those things, so that not more, but less of them is being

produced in the world at large, and especially in the belligerent countries. Whence are we to get more for you? If you think we can get more for you by compelling the rich to reduce their consumption, please remember that the rich are few and that their consumption of necessities per head is very little greater, when it is greater at all, than that of artisans, so that no appreciable addition to the amount available for the mass of the people can be got from that quarter. If imports are free from interruption by the enemy we may be able to get a little by persuading neutrals to consume less, but we can only do so by offering enough to raise prices in the neutral countries so as to cause individuals there to buy less. The only comfort we can give you is that the high prices are encouraging the production of necessities all the world over, so that probably some increase of production may be expected even before the war is over, if it lasts much longer, and when it is over there will certainly be a great fall in price."

But it is seldom Governments are both well informed and candid, and very often they are neither. Some of them are stupid enough to believe more or less in the popular outcry against the profiteers and imagine that it is not their own war, but a sudden special and unaccountable access of wickedness on the part of speculators and others which has caused the trouble. Others, more intelligent, only pretend to believe it: they know that their young men will readily sacrifice their lives and limbs and that their old men will readily sacrifice the lives and limbs of their sons and grandsons, and that their women will readily sacrifice the lives and limbs of their husbands, their sons, and their brothers in what they believe to be a noble cause, but they have a deadly fear—sometimes, but not always, well founded—that women and old men will shrink from pinching the stomachs of themselves and the young children, so that warlike enthusiasm will decay if it once gets about that the association of war with abundance to eat, drink, and wear is delusive, and that there is still truth in the old motto of "Peace and plenty."

So the general practice of Governments is to ignore the root-fact of the situation—the fact that when an overwhelming majority of the younger men of a large area are engaged in an attempt to kill each other, and some unknown but very large proportion of the rest of the people is employed in providing them with the tools for doing it, the mass of the population cannot long be maintained as satisfactorily as when nearly the whole of it is engaged in the arts of peace. Neither a century and a half of scientific economics nor about half as long of Socialist propaganda has



really convinced the populace and the newspapers of any country that wealth is dependent on labour. It is therefore possible for Governments to act as if nothing prevented people having as much as they want except the prices of the things wanted. Either, they say, people must be enabled to offer more money or prices must be "kept down."

Now giving people more money is quite an effectual way of meeting higher prices when it is applied to a limited class or a small area in commercial communication with the world outside; it enables the persons who get the increased money-means to increase their own consumption at the expense (production being for the time limited) of others, and so is a perfectly proper plan to adopt in favour of any class whose sufferings are likely in its absence to be disproportionately great. But, applied all round, or anything near all round, it defeats itself by causing a further rise of price; even if applied widely only within the boundaries of a single country, it is exceedingly expensive to the State, involving heavy taxation, present or future, unless the State prefers bankruptcy.

Governments therefore fall back on the alternative of "keeping prices down." The more agile of the stupider among them promptly enact maximum prices. This ordinarily diminishes supply, and, whether it does so or not, it causes a worse distribution of what is available than took place before. Before, if you had some money you could buy some quantity, though perhaps not as much as you wanted: now, whether you can buy any at all or not depends on whether you get early enough into the queue or stand long enough when you have got in. The inconveniences and injustices of this cannot long be tolerated, so far as the more necessary articles are concerned, and some system of equal or graduated rationing is substituted for it in their case. And as these necessities are not consumed much more largely in any case by the rich than by the mass of the people, the effect on the distribution is almost nil, but the Government is now burdened with an immense task in addition to carrying on the war. The more intelligent Governments know that maximum prices will not work, and fear the burden of the rationing system: others, unintelligent, are warned in time by the bad results of experiments made by their more active neighbours. So, instead of openly enacting maximum prices, they say they are "endeavouring to keep prices down by various indirect but more effectual methods." They will even venture to buy up large quantities of some important product, under the impression that the bar-

gaining powers of public administrations are so excellent that they will be able to buy cheaper and sell cheaper than the wholesale merchants who ordinarily manage the business! When these and more reasonable methods fail, and prices go on rising, they try to gain time and push off responsibility by appointing Committees to inquire into the causes of the high prices and to suggest remedies for them.

Such is the origin of the Committee whose interim report is now before us; the appointing Government shows a slight leaning towards the light in the last words of the terms of reference, which ask the Committee "to investigate the principal causes which have led to the increase of prices of commodities of general consumption since the beginning of the war, and to recommend such steps, if any, with a view to ameliorating the situation as appear practicable and expedient, having regard to the necessity of maintaining adequate supplies." It is something to have this admission that the lowering of prices must, after all, be subject to the maintenance of adequate (what is adequate?) supplies, even though the main problem is still supposed to be the reduction of prices. The report is very much what might be expected from a Committee having this reference and consisting of the usual elements, with perhaps rather more than the usual very small percentage of members with any economic training.

It begins with an examination of the extent of the rise of prices in the United Kingdom, without noticing the fact that the United Kingdom is only a small locality in the much larger area in which the rise has taken place. This fact is, of course, perpetually cropping up as the report proceeds, but much greater clearness would have been obtained if it had been put in the forefront, and a distinction explicitly drawn between causes general to the whole area and causes peculiar to the United Kingdom. The Committee avoid committing themselves to any decision of the question whether rise of wages, conjoined with Army allowances and fuller employment and harder and longer work, has (or, to be exact, had, in September, 1916) increased the aggregate money-means of the working classes of the United Kingdom to such an extent that they could buy as much as before in spite of the increase of prices, but they do say (I am not sure that it would be fair to write "they admit") that "the evidence taken goes to show that there is less total distress in the country than in an ordinary year of peace." It is only necessary that "any practicable method of checking the rise of prices should anxiously be considered," because "certain classes, normally in

regular employment, whose earnings have not risen in the same proportion as the cost of living—for example, the cotton operatives and some classes of day-wage workers and labourers—are hard pressed by the rise in prices, and actually have to curtail their consumption, even though the pressure of high prices may have been mitigated in some cases by the employment of members of a family in munition works and by the opening of better-paid occupations to women,” and because “many people in receipt of small fixed incomes necessarily also feel the pressure; and it is obvious that while the total receipts of families past school age may have been greatly increased, a family of the same class in which children are within school age may suffer exceptionally.” Having thus justified its own existence by saying that after the greatest war in history had been going on for two years “some classes” of the British population “actually had to curtail” their usual consumption, the Committee take in hand the particular cases of meat, milk, and bacon.

With regard to meat, the Committee begin with what seems to be a rather curious resort to what candidates for examinations in economics call the “cost-of-production theory of value,” assuming that a rise in cost of production will affect prices immediately, instead of indirectly, through its effect on supply or expected supply; at any rate, they seem to expect an immediate rise in meat prices to result from the increase in the cost of feeding and tending cattle in this country, without asking whether in fact the supply was being diminished. But this is of little importance, as they go on to say that the governing factor in the rise of price has been the demand of the Allied Governments for meat for their armies. “Not only do the new British armies in the field and in home training consume very much more per head than was the case in time of peace, but the French and Italian Armies also make a new demand on the extra-European supply. Consequently, meat prices have risen in neutral countries in general as well as among the belligerents of the Entente.” (In the Central Empires, they parenthetically observe, the rise has been much greater, presumably meaning to attribute it to the same cause—increased army demand.) The Governments having taken much more meat for their armies than the individuals composing the armies used to consume, there is naturally less left for the civilians, who raise the retail price by competing for this reduced quantity. The Committee say “it has been estimated” that civilians in the United Kingdom have “latterly” been cut down to five-sixths of their previous consumption of beef

and mutton, but it is not clearly stated whether the previous consumption is the pre-war consumption or that of, say, March, 1916. It would be more satisfying, too, to know how the excision of the new Army from the civilian population has been allowed for: mere counting of heads would be misleading, inasmuch as the men in the Army must have eaten more meat than the average (of men, women, and children, and even of adult men alone) when they were civilians. Rather confusedly, the Committee speak of the reduction as "a result, on the one hand, of the reduction of the imported supplies and attendant high prices, and, on the other hand, of the appeals made by the Government to the citizens in general to curtail their use of meat." The aggregate consumption was limited by the supply, and came up to that limit, so that Government exhortations cannot have kept it down: what they did, and were intended to do, was to induce some people to buy less than they could afford to buy, so that more of the limited total was left for others. Of course, in the long run voluntary abstention of the kind recommended would by its effect on price tend to reduce the total supply and consumption, but the Committee are dealing with a very short run, in which there was no time for any such effect. Voluntary abstention, in the circumstances supposed, is quite rightly treated as tending to moderate price, but should not be regarded as reducing aggregate consumption.

The rise in milk prices is attributed by the Committee partly to reduction of supply and partly to increase of demand. The supply has been reduced by the increased attractiveness of meat-production and also of cheese-production, and by shortage of labour. No attempt is made to estimate the amount of reduction which has taken place. The demand has been increased by the wants of the hospitals, the margarine-makers, and the tinned-milk and milk-chocolate manufacturers: nothing is said on the question whether the increased money-means of the working classes has led to increased demand (measured by money offered) from the population in general.

As to bacon, the Committee do not even head a section "Causes of Advance," as they do with meat and milk. They spend some time in refuting a grotesque notion, which seems to have obtained some currency, that cold storage was the cause, and get to the end of the bacon part of the report without any definite statement of opinion about the real cause. But they seem somewhat annoyed with Londoners for not liking American bacon and being willing to pay more for other sorts; they say public demand

is at present mainly for the best cuts, and it is difficult to sell hocks and collars, even in poor districts, and they finish with the words: "There must have been a great increase in the military and other consumption to absorb the supply," which, so far as the United Kingdom is concerned, seems to have increased largely, so we may conclude that they attribute the rise of price to the increased money-means of the population. It would seem worth while to inquire whether the shortage (to the civilians) of beef and mutton may not have been a contributory cause.

To discuss, or even to summarise, the eighteen recommendations of the Committee is impossible in the space here available: they have been given in full by most of the newspapers, and the whole report may be bought for 2½*d.* The most interesting is, perhaps, No. 7. "In disposing of the meat which it purchases for the civil population, the Government should impose such conditions, not only on wholesale merchants, but also on retailers, as would tend to secure the sale of such meat to the ultimate purchasers at reasonable prices." The origin of this is to be looked for in paragraph 22 of the report relating to meat. From this it appears that Australian meat has been bought by the Government and resold, sale being entrusted to the firms who "formerly received the Australian supplies." These sell it on commission and are bound to do so "in the usual manner," so that "as far as possible it shall pass through the usual channels and in the usual quantities." "When supplies run short the distribution is *pro rata* . . . the distributors are held bound to sell only to *bona fide* retailers in the old proportions." This reminds us of the arrangement under which Parliament still distributes subsidies to local authorities in the proportions which it thought right in 1888. We have had two years of unparalleled movement, and the Government is apparently distributing Australian meat throughout the country as it was distributed before the quarrel between national States turned the world upside down. Truly a touching tribute from Government to the efficiency of private "profiteering" in providing for the wants of the people! It can think of nothing better than "the old proportions"! The Committee might have been expected to discover that the old proportions were probably wrong under the new conditions, which, among other things, include an enormous redistribution of population. But no, they only propose greater rigidity. They want the retailer to be bound down as to prices: the inevitable consequence of which will be that his supply will often "run short" of the demand at the maximum price, and he will presumably

have to see that his "distribution is *pro rata*" among his "old" customers. Housekeepers know that something of this kind is already said by tradesmen to be in force with regard to sugar, coal and coke, and wonder vaguely how a new-comer into a place gets served at all, not being an "old" customer of any of the dealers there. In the tenth century most of our ancestors were *adscripti glebæ*, bound to the land; in the twentieth we are becoming *adscripti tabernario*, bound to our shopkeeper. Truly, progress is only gradual!

EDWIN CANNAN

#### GERMAN AND BRITISH AGRICULTURE.

*The Recent Development of German Agriculture.* By T. H. MIDDLETON, C.B., Assistant-Secretary, Board of Agriculture and Fisheries. [Cd. 8305.] (Price 4d. 1916.)

THIS Report, of some forty pages, together with its twenty-six pages of appendices, is worth very much more than the groat which it costs. The matter and the style are equally to be praised.

"1. The German farmer," says the summary (pp. 41-2), "now produces about the same weight of cereals and potatoes per acre as the British farmer; but a much greater weight per 100 acres of cultivated land. The German produces about the same weight of meat and nearly twice as much milk per 100 acres as the British farmer. The German feeds from 70 to 75 persons per 100 acres of cultivated land, the British farmer feeds from 45 to 50.

"2. The ascendancy of the German has been gained in the past forty years.

"3. The soil and climate of Germany are less favourable to agriculture than those of Britain.

"4. The actual methods of tillage adopted in the growing of corn, potatoes &c., in Britain are not inferior to the methods adopted in Germany. The difference in production is chiefly due to the circumstance that in Britain more than two-thirds of the cultivated land is now in grass, while in Germany less than one-third of the cultivated land is in grass.

"5. . . . German land is mostly tilled by peasant owners. British land by tenants."

These are hard facts from which there is no getting away, and those of us who in the years preceding the war had studied Continental agriculture were not unprepared for the adverse compari-

son. To what is this tragedy due?—for tragedy it certainly is, even though we have reason to hope that it is temporary. The Report indicates the immediate sources of Germany's superiority—land tenure, rural credit, co-operative trading, employment of chemical manures, agricultural education, and fiscal policy. Our own economic history discloses the origin of England's comparative failure. Let us remember what has happened in the past.

Some four centuries ago a great cry arose in the land against the despoiling of tillage by the sheep farmer for the profit of the wool merchants. The nation was then asking itself for the first time a fundamental question: "Is our land to be for crops and men or for beasts and profit?" Two centuries later, in the midst of the upheaval which accompanied the enclosures and the rapid growth of large-scale farming, the question was again asked. But this time the grouping was different. It was: "Is our land to be for crops and profit or for men and their miserable little animals—geese, fowls, pigs, and the like?" Crops won, and England slew Napoleon on the broad acres of Holkham. For the first half of the nineteenth century—in fact, right down to 1870—England was the world's agricultural leader not less in business than in technique. Between 1870 and 1916, a period barely the working life of a healthy farmer, English agriculture prospered and sadly drooped and now (financially) is prospering again. And yet to the historian this latter-day prosperity is hardly more comforting than the intermediate decline. For we have not yet grasped the meaning of the transition in the eighteenth century. When crops prevailed men took a back seat. Since then we have been measuring the value of our land by the hollow tests of rent-paying capacity and prize spots. For the man himself and the general average and the cluster of life in the village we have taken but little thought; until, to-day, many a village is a tomb amid pasture which to the tourist only are smiling. Nor have we even the consolation of knowing that, apart from all question of total produce and man-breeding power, our land yields the biggest rents and biggest net profits which are commercially possible. For, as our rural society is arranged, there are parties in it with interests that do not coincide with the true interests of English farming and of England as a whole.

First of all, there are the landlords. The only possible excuse for landlords is that they shall be untiring pioneers of all that is best in agriculture. Speaking without cant, we must allow that our landlords fall far short of this. A large portion of our land is held by corporations, of whom the best that

can be said is that they are harmless. Another large portion is held by smallish owners, whose purse does not permit of long views. A still larger part is held by big owners, of whom the majority are kindly men, and some fortunate enough to be made a credit to their estates by able agents. In strong contrast with the landlords of Coke's time, the centre of their social and financial interests is in the towns. In the country they are good sportsmen, but the day is now gone by when we can comfort ourselves with the belief that large tracts of fertile land were designed by Providence for pheasants and foxes.

Secondly, there are the lawyers. We are sometimes told that property in land has not for British farmers that magic so often remarked in other countries. If this be so, it is no wonder. What must a Canadian think of our attitude towards land registration? Who can have any conceivable interest in the perpetuation of our methods of buying and selling and holding land, save the lawyers who transfer it or tie it up?

Thirdly, there are the bankers. One of the little tragedies in our agricultural history is the decay of the Scottish system of cash credit based on personal security. Germany, on the other hand, has made it the core of its rural life. What Schulze-Delitzsch did for the big farmers, Raiffeisen did for the small. Every ounce of credit-worthiness is extracted by the co-operative banks of rural Germany. In England the country banks have been absorbed by the great joint-stock concerns, with their cautious London directorate, which prefers the "safer" work of loans to the Stock Exchange and advances on German bills.

Fourthly, there are the dealers. As a class, no doubt, they are honourable and capable traders, but the promotion of the farmers' interest is not their *raison d'être*. The co-operative society, on the other hand (which is the normal avenue of agricultural purchase in Germany and Denmark), while it leaves the farmer free to concentrate on the work of farming at which he is a specialist, guarantees him sound stuff at reasonable rates, and also educates him in business methods. It has no interest other than his, and the small man can buy as cheaply as the big. Furthermore, the development in Germany of what the French call "*industries agricoles*"—beet factories, dairies, wood crafts—in addition to the excellent opportunities which they furnish of progress in the more difficult business of co-operative selling, has created a great reservoir of summer labour for the fields.

If we add the British farmer himself as a "fifthly" we shall



seem to be talking in paradox. But the point is this. When one man has a thousand acres in a small country like England, one other man or several others are kept out of farms. It is extremely important, therefore, that the land should be divided well. Now there is reason to believe that the typical English holding of 300 to 500 acres is often a wasteful unit, too small for expert specialised management and too large for cultivation by the labour of the cultivator and his family. In Germany over 60 per cent. of the cultivated acreage is farmed in holdings of 5 to 125 acres, on which female labour invariably plays a big part; and it is precisely in the products of small-scale farming, such as dairy produce, pig-meat and potatoes, that Germany has recently gone ahead. Nor has this progress been at the expense of the staple products of wheat and beef. Sheep-rearing only has declined, and this is the least intensive form of agriculture. In a sense, Germany has been lucky; for the evolution of the world's agriculture is directing an ever greater acreage in the old countries to intensive cultivations suitable for peasant farming.

The Report deals in a judicious spirit with the German agricultural tariff. All that need be said from the English standpoint is that the old issue, Free Trade *versus* Protection, will have to be re-examined in the wider light of Imperial Union. National protection for English wheat-growers against the countries of the new world, including the Dominions, would be a disaster economically and politically.

A more important aspect of the settled policy of German agriculture is their thorough system of agricultural education. This is almost as good as that of Denmark. Here again we are behind, but not hopelessly behind. At least we have realised the necessity of it and begun to teach those who can teach others. We can but pray that the terrible toll which is now being taken of all that is vital and best in the manhood of England will spare a remnant sufficient to hand down the lessons that have been learnt.

C. R. FAY

#### A BRITISH TRADE BANK.

THE Committee appointed to consider the provision of financial facilities for trade, particularly foreign trade, after the war, begin their report by drawing a convenient distinction between "banking facilities" and "financial facilities." The former they would

limit to short period credits, such as might properly be given by a bank, consistently with its obligation to its depositors to keep their funds liquid. By "financial facilities" they mean long-period credits, such as in this country are usually provided by the formation of a syndicate or joint-stock company in which the lenders are associated as partners, each having a financial interest in the enterprise for which the credit is required commensurate with the amount of his stock.

A careful study of the evidence which, by the way, they do not publish, leads the Committee to the conclusion that the existing financial machinery in this country affords "liberal accommodation to the home producer," while "in the Far East and in many parts of South America British banking facilities do not fall short of those of any other nation."

The criticism of the Committee is accordingly directed, not to the lack of facilities provided by the British joint-stock banks on the one hand and the colonial banks, the British-foreign banks, and the banking houses on the other, but to the fact that these facilities are not sufficiently co-ordinated. The Committee "recognise also that the British manufacturer may be frequently in want of finance of a kind which British joint-stock banks could not prudently provide." They conclude, therefore, by recommending the formation of "a new bank to fill the gap between the home banks and the colonial and British-foreign banks and banking houses, and to develop facilities not provided by the present system."

It is proposed that the new bank should be called the "British Trade Bank," to be constituted under Royal Charter with a capital of £10,000,000. It should issue credits at home and abroad and deal in foreign exchanges. "Where desirable, it should co-operate with the merchant and manufacturer, and possibly accept risks on joint account." A prominent feature of the new bank would be the inauguration of an information bureau. It is also suggested that it should act as agent for the Government in equipping likely young men with the capital required to enable them to set up in business for themselves in foreign countries. Finally, "it should receive Government assistance." It is not proposed that the Government should supply any portion of the capital or control the operations of the new bank, but the Committee consider it desirable that the institution, "without coming under Government control, should receive as much official recognition as possible."

As regards its operations, negatively, the bank "should endea-

your not to interfere in any business for which existing banks and banking houses now provide facilities"; positively, it is "to undertake the examination of industrial projects," which the Committee rightly consider would be "a costly business," and "to grant larger and longer credits than have been customary with existing banks." The executive of the bank would consist of a chairman and three managing directors, who "would draw good, fixed salaries and would be entitled to a substantial share in the profits."

We need only add that, with one significant exception, the Committee are unanimous in their report.

Assuming that the duration and extent of credit are already stretched to the furthest limit compatible with safety and profit by competition between the existing banks, it would appear that the scope of the new bank would necessarily be confined to a class of business which existing banks have discarded as unprofitable or unsafe. The Committee, however, believe that "a bank constituted upon the above basis with efficient management should prove a commercial success." As practical bankers, the Committee have no doubt a reason for the faith that is in them, but it would have been more convincing to the managers whose "good, fixed salaries" are to be supplemented by a share in the profit if the grounds of the Committee's faith had been stated. To us the issue appears dubious. It seems more than probable that even if in the first instance private money is forthcoming to start the new bank it will not be long before the Government is called upon for a substantial money grant or guarantee to keep it going.

How far the German banking system can be made applicable to the conditions prevailing in this country is open to question. The history and development of the German credit banks, which the Committee appear to have had specially in view, will be found in the voluminous pages of *Die deutschen Grossbanken und ihre Konzentration*, by Dr. J. Riesser, of which an English translation was published by the American Monetary Commission (Washington: Government Printing Office, 1911). Without going into details, it will be sufficient here to point out that the essential point of difference is that while in England there is a line of demarcation drawn between industry and finance, banks in Germany are represented on the boards of the industrial or manufacturing undertakings in which they are financially interested, and have a voice in the management of their affairs. This is the logical outcome of the adoption by Germany of the policy of List.

"Nations," he says, "must modify<sup>1</sup> their systems according to the measure of their own progress; in the first stage, adopting Free Trade as a means of making advances in agriculture; in the second stage, promoting the growth of manufactures by means of commercial restrictions; and in the last stage, after reaching the highest degree of wealth and power, by gradually reverting to Free Trade and unrestricted competition in the home as well as the foreign markets, so that their agriculturists, manufacturers, and merchants may be preserved from indolence and stimulated to retain the supremacy they have acquired." (*The National System of Political Economy*, p. 93. English translation. Longmans, 1904.)

In 1870 Germany entered on the second stage, and the remarkable expansion in her home and foreign trade which followed may be cited as a tribute to the success of List's plan. It does not follow, however, that a system from which Germany may have derived some advantage—an advantage, by the way, which is quickly passing if, indeed, it has not already passed—in the early stage of her rapid industrial development is equally suited to a country so highly developed industrially as Great Britain is to-day. If English manufactures are weak, it is, as Professor Shield Nicholson somewhere remarks, the weakness not of infancy but of old age. Protection will not help them. With List Protection was a temporary device for abridging the transition from the second to the third stage of economic progress. That attained, and Germany on an equality with England, the ladder is to be kicked away and the reign of Free Trade to begin.

There were signs before the war of an increasing body of public opinion in Germany in favour of Free Trade and the trend of recent legislation has been in that direction. If, as we hope, the result of the present conflict is to overthrow the Hohenzollern dynasty and to give the German people a voice in the conduct of their own affairs, then it is probable that public opinion will become effective and a new impetus be given to the forces behind Free Trade. In that case it would be impossible to maintain the present organisation of banking in Germany. We might adopt the German system in haste now and repent at leisure when we found that they were about to abandon it themselves. The ultimate superiority of the rival banking systems of Great Britain and Germany is still an open question. It will be determined by the relative ease and adequacy with which each respective organisation adjusts itself to conditions after the war. Until then it would be as well to keep our judgment in suspense. The English

banking system has its faults, but it has grown with our growth and is probably as good as we are fitted for. In any more scientific organisation we should, at the present stage of commercial education, move as uneasily as David in the unproven armour of Saul. The general ignorance of economics in this country, to give only one instance, is deplorable, and until the aim and standard of mercantile education is extended and raised it is vain to seek for the superior co-ordination of financial facilities, which the Committee very properly desiderate, in Government assistance and control, or even in any novel form of business organisation. "If they think they can conquer the world," said President Wilson in his address to business men at Long Branch on September 2nd, "it is up to them to do it; nobody is going to assist them, because it is a thing in which they cannot be assisted by anything but their own brains."

Apart from these theoretical objections there is the practical difficulty of accommodating a protected organisation to Free Trade conditions. The essence of the combination of industry and finance in Germany is the absence of competition. The preliminary investigation of any great industrial enterprise—and it is for great enterprises that combinations are formed—is, as the Committee point out, "a costly business," which, it is assumed, no German combination would be willing to undertake if it were liable to be deprived at the last moment of the reward of its labours by the intervention of some competitor, foreign or native, who by the very fact that he has contributed nothing to the initial expense is in a position to secure the contract by offering more favourable terms. It becomes necessary, therefore, to provide against internal competition by means of trusts and kartels and against external competition by means of a tariff. In the case of tenders for contracts in foreign countries one German institution is designated as the national unit and is entitled to the exclusive support of its Government. The British tenderer, on the other hand, is exposed not only to the competition of the Germans, but to the competition of his own countrymen, each of whom is entitled to the same diplomatic support as himself. The advantages on the side of the individual German tenderer are obvious. Whether the German system ensures a balance of *national* advantage over the English system is another matter.

Upon the whole it seems probable that it holds true in the economic as well as in the political sphere, that a nation gets the organisation which it deserves, its deserts being the result of the stage it has attained in education and economic development. To

graft upon the body politic an institution foreign to the genius of its people is to retard progress by an interference with the ordinary course of evolution. The time does not seem to be opportune for the creation of a trade bank, such as is proposed. It does not seem to us good policy to encourage the export of capital from this country when it will be badly wanted to repair the waste of war. We are old-fashioned enough to agree with Adam Smith that the home trade is to be preferred to the foreign. We would prefer to see the export of capital confined, as at present, to the surplus left over after the home demand has been satisfied, and we distrust any interference with the working of the economic law which tends to produce this result. Since gold was discovered in the Rand in 1887 it is estimated that £130,000,000 of British capital has been invested in developing the gold mines of South Africa. In rubber the amount of British capital invested abroad is estimated at £70,000,000. In tea it is £30,000,000. There is no reason to believe that this capital, most of which has been exported in quite recent years, is anything other than the surplus capital left over after our home needs have been satisfied. In the absence of further evidence than is supplied by the report before us it would appear to be doubtful wisdom to exchange the financial and industrial organisation which has produced such results for a new form of banking organisation with the object of stimulating the export of our personal and material capital and, *pro tanto*, diverting from their natural channel the men and money which will never be more urgently needed at home than after the war.

It is admitted that foreign trade cannot be carried on without the export of a certain amount of capital; so with produce and goods. But the classical argument goes to show that the amount to be exported is best left to the play of natural forces. The point to be emphasised is that it is the surplus capital and produce, and only the surplus, which can be exported with advantage to the country; to export more than the surplus might be profitable to the exporter, but would not be advantageous to the country. The home trade would suffer. Accordingly, the policy of the Government should be directed to encouraging the efforts and abstinence of the people so as to make the surplus as large as possible while leaving the exporters to look after themselves. In caring for their own interests they are most likely to serve the interests of the country as a whole. Why is the foreign to be preferred to the domestic trade? Agriculture is still our most important industry. If there is to be Govern-

ment intervention it is likely to be more usefully employed at the present time in increasing the production of food in this country than in encouraging the export of food or its equivalent in manufactures.

This obvious truth is sometimes obscured by a mischievous practice which has recently become popular of calling things out of their names. There is a fashion in scientific nomenclature of importing the terms, and with them the ideas, from the science to which they are appropriate to another science to which they are foreign and unsuited. Economics has not escaped the prevailing popular practice. At one time Darwinism was in the air and it became the fashion to analyse every economic unit in terms of biology as an organism subject to the laws of biological growth. Now, under the domination of military ideas, a tariff becomes a "tribute" levied by one nation on another; the opening up of new business, the "penetration" of its territory; the competition of trade, an "economic war." The result is to confuse thought and to obscure the real issues. To analyse the structure of society or of men in the mass, with which political economy is immediately concerned, as if it were an individual animal or plant, or to predicate its growth in the terms of chemistry or biology, is to substitute illustration for argument. And to describe the international trade between the individuals of two countries as if it were a war between the two countries themselves is not even an illustration; it is a perversion of the facts. The truth is that foreign trade is an element in the division of labour in which, indeed, individuals may suffer loss, sometimes on the one side and sometimes on the other, but from which, in the long run, both countries must gain. Otherwise it would not be carried on. The result of this division of labour will no doubt be attained by whatever name we choose to describe it, but the evil of the false terminology is that it tends to make the injury to our competitor, rather than the advantage to ourselves, the main objective of our foreign trade policy. It is a revival of the old mercantilist fallacy that in foreign trade the gain of one country is the loss of another.

Incidentally, this false conception of the nature of commerce destroys the sense of perspective and leads a country to attach an exaggerated importance to its foreign, relatively to its domestic, trade. And yet there can be no doubt that the latter is of immeasurably greater value to a country than the former. In a recent speech at Cincinnati, President Wilson stated that the foreign trade of the United States was only equal to four per cent.

of the whole. The total amount of cotton textile manufactures exported from this country, by far the largest item in our foreign trade, is less than the earnings of the railways. There is a natural preference in favour of the home trade which limits the foreign trade to the surplus produce left over after the home demands have been satisfied. But this harmonious result is dependent upon trade being left to itself. Any interference with what may be called natural conditions, any artificial preference, such as the grant of superior facilities by a State-aided trade bank, in favour of exporters, would tend to disturb the relative values of the home and the foreign trade and to diminish the sum of their joint advantage to the country. The transfer of capital and labour, which are at present distributed by natural laws, from one employment to another, from the home to the foreign trade, would be an especially dangerous experiment after the war, and for that reason the action which the Government may decide to take with regard to the formation of the proposed trade bank will be awaited with interest and some anxiety. "The great object of the political economy of every country is to increase the riches and power of that country. It ought, therefore, to give no preference nor superior encouragement to the foreign trade of consumption above the home trade, nor to the carrying trade above either of the other two. It ought neither to force nor to allure into either of those two channels a greater share of the capital of the country than would naturally flow into them of its own accord." (*Wealth of Nations*, Book II., Chap. V.)

C. S. ADDIS

#### THE ECONOMICS OF THE WAR AND ITS SEQUEL.

- I. *Memorandum on the Industrial Situation after the War.* Privately circulated among employers, representatives of labour, and public men of all parties, May-September, 1916, now published as revised in the light of criticisms and suggestions received. (The Garion Foundation.) (London: Harrison and Sons, 1916. Pp. 96. Price 1s. net.)
- II. *The Reorganisation of Industry.* Papers by Prof. A. C. PIGOU, A. GREENWOOD, B.Sc., S. WEBB, A. E. ZIMMERN, M.A., with criticisms by well-known Trade Unionists and Co-operators. (Oxford: Ruskin College, 1916. Pp. 85. Price 7d. net.)
- III. *Labour, Finance, and the War.* Being the results of inquiries arranged by the section of Economic Science and



Statistics of the British Association for the Advancement of Science during the years 1915 and 1916. Edited, with a Preface, by A. W. KIRKALDY, M.A., B.Litt., M.Com. (London: Sir Isaac Pitman and Sons, 1916. Pp. v + 344. Price 3s. 6d. net.)

CYNICAL misanthropes say that memorials of the dead, raised by subscription, are used by astute promoters in the achievement of their own favourite schemes, for which, armed with a more effective weapon than frank advocacy on their merits, they elicit or compel support. At this time of stress, when the "angel of death" is "abroad throughout the land," the analogy may be considered awkward. And yet familiar propaganda is not conspicuous by its absence from the present debates on "reconstruction." Undeterred by earlier rebuff, it claims a fresh hearing with an air of confidence, and newcomers, equally imperious, swell the chorus of dogmatic agitation. We can understand the resentment with which some listeners urge entire concentration on the work, which is hard enough, of success in the war itself. They may err, but their mistake may be excused, when they thrust aside the moral pressed upon them. That is drawn from the past admitted lack of adequate preparation for the military conflict, and counsels early study, anticipating the peace that must eventually arrive, of plans designed to lessen or remove the expected perils of the future economic situation. We candidly confess that to us, at any rate, few speakers or writers seem more gratuitously inept, or more unhappily inspired, at the present hour than those who are spreading the belief, with which, apparently, they are not wholly displeased, that social anarchy and industrial strife must follow or accompany the victory for which we hope. Were this sad foreboding justified it may be questioned whether wise or loyal patriots would approve of its loud repetition. But so melancholy a fate can be more appropriately reserved as suitable punishment for a defeated, bankrupt Germany; and the enthusiastic rally of the constituent sections of the varied population of the British Empire to its stout defence suggests a brighter augury for our own race.

The unity of action in a common cause realised so happily during these last eventful years promises, we are sure, other results. Classes that have fought gallantly in the field, or worked with strenuous persistence turning out munitions, side by side are, it should be obvious, brought together and not pushed apart in the process. Ancient sores, we confidently believe, can be healed

instead of being aggravated. Why may we not expect to see in the industrial area a fuller, more spontaneous recognition of their respective wants and merits by the employers and employed, on whose discernment, skill, and industry we shall mainly rely to repair the waste of wealth caused by military and naval outlay? Nor should we forget the fortunate "paradox" of our recent economic history by which a powerful stimulus has been applied to the improvement of organisation, and the introduction of the latest, best machinery, the effect of which should continue for some time when the immediate present impulse has ceased to operate. So colossal a naval, military, and economic struggle as that now waged is, of course, in itself a great upheaval. It has produced violent dislocation of habits and traditions. In many departments of the life of man it can permit the easy, swift accomplishment of change previously thought impossible or remote; and such transformation may prove eventually to be good or bad. Yet we can readily conceive the future yielding as complete a disappointment to radical reformers in commercial and industrial affairs as it might also upset beyond recovery the complacent *vis inertiae* of conservative adherents of the *status quo*.

These general reflections are not, we hope, impertinent in a review of the particular publications now before us. Those responsible for the Garton Memorandum adopt, it must be admitted, a judicial tone. They aspire, it would seem, to steer a middle course between a cheerful and a sombre forecast of the future, and they try to distribute with an even hand censure and advice to the employing and the wage-earning class. But their chief conclusion, at any rate, is not so delicately balanced. Dire calamity, we are warned, impends unless the "fundamental problem" of improving the relations of employers to employed is treated satisfactorily: and the authors do not hide their own cordial assent to the solution that henceforth "Labour must have a voice in matters" that concern "its special interests." As it stands, indeed, this broad statement could be generally accepted as a truism; its significance consists, we shall discover, in its particular practical interpretation. The careful, comprehensive picture drawn in the Memorandum of the various effects of the war places in relief some considerations which had not, we think, been noted, or at any rate adequately emphasised, before. Such are the consequences of the strain of overwork and the results of interruption of industrial education. The distinction made between special "emergency" proposals, demanded by

the passing circumstance of demobilisation, and the broader "constructive" measures devised to meet the subsequent need of "industrial efficiency," of "increased saving," of "assured markets," and of the more popular and beneficial use of the land, commends itself by its appropriateness and by the light it throws on the policy to be pursued. But it is noticeable that the menace of "industrial unrest" is, in the main, inferred from the language or the acts of representatives of Labour; and an inclination is exhibited by the authors of the paper to choose the less encouraging of alternative opinions. Nor, we imagine, would they disown their active advocacy of a scheme which would increase the control to be exerted by the workmen over the conditions of their work. That is the interpretation they supply of the statement quoted previously. While they are not blind to difficulties in the way they would nevertheless advance with the strength they can command this propaganda.

No dissimilar a charge could, with more effect, be brought against the papers read at the Ruskin College Conference held in Oxford last July, and the special plan drafted then by Mr. Zimmern for applying to the Post Office the general conception favoured in the Garton Memorandum has been, in fact, reproduced in that document. It is given there as a sample, without pledging the authors to acquiescence in every detail. We regret that it was found impossible to supply less meagre a report of the discussions at the Conference. The opening speeches, printed, we suppose, verbatim, show that the "well-known Trade Unionists" from whom they came were sensible of the responsibility born of continuous intercourse with actual fact. They had, no doubt, their aspirations, and it would be improper or absurd to consider them immune from sympathies acknowledged or unconscious. But they were able to inspect the future with a remarkable amount of cool detachment; and it is encouraging to note that, while they saw and emphasised some grave anxieties looming ahead, they did not subscribe to depressing prophecies current in circles less distinctly representative. Mr. Young, of the Engineers, for example, dwelt informally on the inevitable clash of military inclination and administrative economy with industrial demands and wise humane precaution against unemployment that was likely to occur in the arduous process of demobilisation by which the authorities would be confronted at the peace. But Mr. Shaw, of the Weavers, was buoyant in his reasoned optimism on the auspicious indications of prosperous business when the war had ended. He did not

think that we should have to "face the industrial calamities which so many people seem to fear."

The readers of the papers, on the other hand, necessarily viewing the situation from the standpoint of outside observers, were, nevertheless, with one exception, manifestly bent on the energetic advocacy of favourite schemes, and they were drawn, not unwillingly perhaps, into the more rarefied, if less contracted, atmosphere of speculation. The note of warning of probable commotion was audible throughout their argument; and in one instance a *rapprochement* between classes was dismissed in language which was forcible, if it was not very elegant, as "flummery." The sympathies of all the readers with Labour, as opposed in the customary antithesis to Capital, erred by excess more markedly than by defect. Apart, then, from Professor Pigou, they were avowedly propagandist, although distinction must, as we shall now, be made between the purpose, scope, and likelihood of the reforms conceived and urged respectively by Mr. Greenwood, Mr. Zimmern, and Mr. Webb. We must add that the Cambridge Professor's own criterion of the "real wage" of pre-war times, to be used as a standard in industrial settlements, seems to possess a doubtful title to be considered a "business proposition." We are afraid that it is more likely to be treated as an academic nicety. The extension, however, from Canada to England of the idea embodied in the Lemieux Act, of which he approves, of bringing the restraining influence of public opinion, which must be satisfied beforehand, to bear on would-be disputants, promises to be, though less ideally exact, a more practicable expedient.

The volume published by the authority of the British Association has continued, under the Presidency at Newcastle of Professor Kirkaldy, the convenient compilation begun in his Recordership of Section F during the first twelve months of war. The sequel, like its predecessor laid before the Manchester meeting and reviewed some time ago in this Journal, has brought together valuable material for study. Fresh light is opportunely thrown on important points in connection, especially, with the work of women and with the administration of finance. Nor does the book refrain, notably in the discussion of industrial unrest, from speculation on the future, though it is chiefly a summary of past fact accompanied by the indispensable modicum of interpretation. We notice, however, that in the report on the second matter mentioned it has been necessary to insert a correcting slip subsequently to the original publication. This

addendum states that "the Committee as a whole must not be regarded as responsible for all the recommendations and opinions in the later part of the Report." We understand, accordingly, that Professor Edgeworth and Professor Nicholson reserve their judgment on the wisdom of some of the suggestions made for the future financing of the war and on the accuracy of the forecast attempted of the conditions that will prevail when the conflict has been finished. It is tempting to infer from this significant incident that into the retreat of the committee of a scientific society, which would be less exposed to the controversial stir of advocacy than the Ruskin College Conference, the forceful energy of propaganda has intruded. As we have seen, its infection in the Garton Memorandum taints the judicial atmosphere courted by the authors of that monograph.

We appreciate the reluctance of the economists named to pledge their high reputation to all the pronouncements uttered on questions of much difficulty and doubt: but here we must be content to cite a single illustration taken from another part of the report. It is admittedly a paradoxical, and it is also, as we think, a disputable statement. For it is suggested that the convertibility of the present Treasury Notes, if brought unmistakably to the notice of their users, would make them less disposed than in their ignorance they may be at present to exercise the right. It would therefore, it is argued, simultaneously arrest the practice, now too widely prevalent, of hoarding gold. In the cogent plea for "national and industrial organisation," put forward from the presidential chair by Professor Kirkaldy, in the address reprinted in the volume, on "Some Thoughts on Reconstruction after the War," and in Mr. Christopher Turnor's vigorous statement of the case for "Land Settlement" as a reform urgently required, prophecy and advocacy find an appropriate place. But in the collective estimate, ostensibly proceeding from a committee, the personal factor is less readily distinguished and less easily discounted. As we see, by inadvertence, individual views may gain a joint authority to which their title is not fully valid.

Yet the allurements of conjecture is as powerful as it is subtle; and propaganda attracts more often than it repels. The Garton Memorandum is, as we have noticed, averse neither to recommendation nor to forecast. In the first paper of the Ruskin College Conference Professor Pigou reaches a conclusion on the future relative position of Capital and Labour by scrupulous balancing of the various influences affecting their demand and their supply, which is persuasive if it does not convince. He

contends that "when things have settled down" "we may look to see pretty much the same number of people confronted by pretty much the same amount of capital." We are not prepared to upset this equipoise, or to set aside the final readjustment, which is thus put forward, of the "disorganisation of industry, commerce, and finance" discussed by the Professor. Yet it may be thought to bear suspicious similarity to the old comfortable notion of an economic "harmony," in spite of the ingenious fresh reasoning by which it is attained. Nor is the desired goal to be secured without the threat or chance of a previous scrimmage. The contrary argument is skilfully elaborated, from which it is inferred that the period of "transition" from war to peace will not be so smoothly or so rapidly completed as the earlier passage from the normal surroundings of peace to the strange environment of war. This contrast, which is also noted in the Garton Memorandum, and supported there by reasoning generally similar, requires attention, even when we recollect how conspicuously the fears authoritatively expressed on the industrial disturbance that a European conflict must produce have been disappointed. The evident suspicion with which the mechanism, blessed by economists and by statesmen, of Labour Exchanges is regarded at the present time by "well-known Trade Unionists" is an unfavourable omen. Professor Pigou, however, after making these essays at prophecy, ends his treatment of the "problems to be faced" with a statement, and not a solution, of the final question introduced—that of the proportion of the burden of taxation to be laid in future on the wage-earning classes.

In direct opposition to a non-committal posture is the attitude of Mr. Sidney Webb, who was responsible for the third of the four papers announced to be read. He did not pretend to abide by the limits of the subject stated, which is kept as the heading in the published report. For the "Contribution of industry to revenue" a topic furnishing more opportunity for a drastic, comprehensive scheme was substituted. Mr. Webb described his theme as "how to pay for the war." His pose, he will allow us to observe, is characteristic, and accords with his earlier writing and speech. As we should expect, he is troubled with no qualms or doubts. He favours none of the "halting between two opinions," which is, proverbially, the besetting sin of university professors—a class to which he nominally belongs. By comparison with the other papers, which show signs of painstaking preparation and long thought, his contribution to the pro-

ceedings seems to have been hastily conceived and quickly developed into shape. Without injustice, it may be said to lack the weight they carry on that account; and the argument, though lively and adroit, is sketchy rather than complete. Indeed, Mr. Webb himself referred his audience to the book recently issued under the title of his address, which he advises them to buy and read. But the note which he sounds is loudly resonant, and his programme of reform, or revolution, is ambitious. The panacea for our woes, past, present, and to come, is the extension of State enterprise or control. Nationalisation of railways, mines, and other ventures will open inexhaustible stores of wealth. Once we replace private property by collective ownership, and substitute the act of the community for individual enterprise, we can infallibly expect an augmentation of the product, though we believe we are not wrong in inferring that, incidentally to this wondrous process, levies of considerable magnitude may be taken from selected classes. At any rate, they will be asked to "make sacrifices." By such "ways and means" the financial onus of the war, which is not minimised in the graphic comparisons employed by Mr. Webb, will, we understand, be borne with ease.

We will not discuss the initial question of expropriation; but it is obvious that this large, simple plan depends for subsequent success on the capacity and the freedom from corruption of the bureaucrats who set and keep at work the machinery of administration. Mr. Webb, and those who share his sanguine creed, seem to anticipate no trouble in maintaining a continuous supply of the officers they need, who will serve the public faithfully, will furnish or command all the knowledge requisite, and will possess or secure the indispensable skill, care, and energy. The shrewd Kettering Trades Councillor who asked at Oxford whether the reader of the paper would advocate the replacement of Sir Guy Granet by Mr. Winston Churchill in the administration of the nationalised railways could not, we surmise, have remained wholly satisfied with the answer he at once received. He was told that "of course what you get rid of by nationalisation is not the general manager, but only the shareholders."

We cannot avoid quoting here some significant words used recently by Mr. Justice Low, for they emphasise opportunely a serious side of the question which is dismissed or treated lightly by many Socialists. In his summing up to the jury of a criminal prosecution which concerned the Army Clothing Department the judge employed this plain language:—

"It has been shown in the course of this case that here we have a department responsible for the disbursement of many millions of public money,

conducted upon methods and principles which would infallibly land any business of a private nature in a very short time in the Court of Bankruptcy. . . . We have seen that in the filling-up of forms and initialling and all these ceremonies that are dear to the administrative mind a good deal of energy was displayed and a great deal of labour—probably most of it thrown away—was used, but, as far as I can see, from first to last any notion that any sort of real supervision over the employees of this department was required never seems to have occurred to anyone."

Mr. Webb may affirm, indeed, with facile conviction that his bureaucrats will be superior to such culpable *laches*. The training and the instinct of the present general managers of our railways should certainly prevent the abuses stigmatised by Mr. Justice Low. But can we be sure that the difference in the conditions under which they work now and those established by Mr. Webb's new régime would, as we suppose he may claim, be inappreciable or an improvement? Might it not relax their vigilance, sap their energy, or even impair their integrity? Will the presumption be realised which is needed to guarantee the permanent safety and enduring benefit of such a Socialistic policy? That postulates, we should remember, the competence and purity of officials entrusted with immense responsibility and directed to perform without fear or favour duties which will concern a great quantity of complex interests. An affirmative response is a big concession. The supply of men in the quantity and of the quality required is not an easy problem to attack: and wide experience has proved that in the solution of the pertinent cognate question, "*Quis custodiet ipsos custodes?*" democracy has won no indisputable triumph over aristocracy.

The defects, as the virtues, of democratic rule are germane to the issue raised in the two remaining papers of the Conference. The readers, by different methods of approach and through a different area of action, aim at an identical objective. That is the extension of the democratic principle from political to industrial life. They wish to see more control belonging to the workmen in a business enterprise over the conditions under which they work. With the statement of his policy directed to this end, Mr. Greenwood, somewhat discursively perhaps, combines remarks upon various changes due to the overpowering pressure of the war. But they are relevant to his subject as it is phrased, for he considers "how readjustment may be facilitated" after the conflict has concluded. He pronounces judgment on the transitory or the abiding character of certain results that can be traced to the unique disturbance which has upset the lives of most of the inhabitants of European lands in the last few years,



apart from the extension of its influence to other continents. When peace has been restored he contends that in our own country we shall have to deal with a "new industrial economy" governed by forces strengthened or set loose in the peculiar situation that has arisen.

He diverges from his path, it may appear, to assail the fiscal policy of Protection. His antithesis between "new" channels into which this heterodox belief would artificially "divert," and the "normal" course of natural choice from which he regards it as beguiling, trade possesses small validity. It is only a traditional "begging of the question," and is slippery reasoning, though it is countenanced by orthodox Free Traders. Signs of similar prepossession may be seen in the Garton Memorandum; but so constrained an attitude towards the province of Governments in impelling or restricting manufacturing and mercantile activity seems incongruous with warm approval of State control in other matters. Professor Kirkaldy in his address suggests a more comprehensive and consistent view of "national and industrial organisation"; and the full recognition of Trade Unions by the State, the formation of a "National Labour Council" representative of the whole Trade Union movement, the authoritative issue of summons to a conference of workmen and employers in each separate industry, and the creation of a "Ministry of Labour," which are conspicuous "planks" in Mr. Greenwood's "platform," show that he sets no little value on the merits or the possibilities of collective action.

Mr. Zimmermann goes more directly to his aim. In his paper on "The Control of Industry after the War" he concentrates his study on internal management. Conditions, he declares, must be established which will supply the workman with sure guarantees that his work fulfils a social purpose. From this standpoint the now lauded "scientific management" of American origin offers him no more satisfying an ideal than the State ownership magnified by Mr. Webb. Adopting the comparison employed by Mr. Greenwood, Mr. Zimmermann maintains with equal emphasis that the glaring contrast now apparent between political democracy and industrial aristocracy must be abolished or reduced. But he seeks forthwith a concrete demonstration of the policy by which this object should be sought. Taking the Post Office as an example, with the help of the knowledge, based upon experience, of Mr. Newlove, he shows in brief outline the measures to be introduced to achieve the innovation wished. Yet his account leaves us in doubt whether, on the lines laid

down, continued efficacy in the conduct of a business by a capable, keen employer can be compatible with the desired satisfaction of the claim of the employed to regulate the conditions of their work. It is probable that in the future such demands will become more pressing, and the severance of management from enterprise is not unreal or impossible. But the dividing line is difficult to fix, and its transgression may produce vexatious meddling detrimental to the maintenance and development of an undertaking, and injurious on that account to the ultimate, if not to the immediate, interests of the employed. The action contemplated by Mr. Newlove and by Mr. Zimmern in a "nationalised" establishment like the Post Office is confined within no narrow boundaries, and in more private undertakings the aristocracy of talent or of genius has played hitherto a leading part on the commercial and industrial stage. Statesmen and economists, however equally with employers, will, we think, be wise to reckon with this movement. The idea receives prominent consideration in the Garton Memorandum, and is also favourably considered in the report of the British Association on "industrial unrest." Although it has an obvious affinity to current notions of Guild Socialism and to Syndicalist aspiration, it seems to seek a compromise with rearrangement of the existing order of business life.

The classes we have mentioned should be grateful for the help given opportunely to their thoughts and acts by the evidence massed in the volume issued with the *imprimatur* of the British Association. During the twelve months which had elapsed since the preceding meeting, Committees of the Economic Science and Statistics Section, as in the previous year, had been collecting and examining a great quantity of information relevant to the inquiries in which they were respectively engaged. They considered more especially questions raised in the prosecution of the war itself, although they also turned their attention to some problems likely to demand resolute and prudent handling when the desired peace had at last arrived.

Here once more, as at the Ruskin College Conference and in the Garton Memorandum, it is pressed upon us in the report on "industrial unrest" that "new conditions are producing an entirely new industrial situation." With appropriate emphasis we are told that in the future, to meet the huge financial obligations which have been incurred, greater productivity will be demanded from our leading industries than that attained before the war. But we are also informed that the fresh experience

gained in the last two years of exceptional stress has placed beyond dispute the feasibility of a large addition to the output of our workshops and our factories when an emergency plainly recognised dictates the effort. Imperious need has thus asked for closer care and for more strenuous and persistent energy from employers and employed, and an effective answer in the affirmative has, in fact, been returned by both to the request. But, unless the continuance of their cordial co-operation can be ensured when peace has come, the good results desired will cease to be produced. It is probable that reaction from the present strain of overwork may, as the Garton Memorandum pertinently suggests, occur in any event, but the natural wish of the workers for control of the conditions of their work will, the Report agrees with the Memorandum in maintaining, exercise a potent influence in the matter of abundant and efficient output. Its satisfaction, within the limits which are practicable, passes therefore from an ideal, more or less remote, to a real need of a near future.

Frank discussion, at any rate, on wage questions in friendly conference between the accredited representatives of organised bodies of masters and of men is an instrument the worth of which has been tested and approved by long and wide experience for mitigating or, avoiding mischievous and wasteful friction. The President of the Section dealt with this important subject in his address, and, like the Committee charged with the inquiry into "industrial unrest," he looks for good results from the adoption of the system in many other industries and districts besides those where it is now in operation. Nevertheless, conciliation of this kind, working by such means, has, it should not be forgotten, been more usual and more influential in the past, in this country at least, than is commonly supposed or stated. At the present moment, by the regular use of the machinery of "industrial peace" in a number of important occupations, the rapid, easy settlement of minor differences stays or removes the threat of more considerable disputes. Officials, deputed permanently or *ad hoc* by either side, with "joint committees" at their back, fit general wage-arrangements to particular local needs without the irritation or the cost of strikes or lock-outs. Further development, however, may be recommended; and the Committee note that little or no use has yet been made of the Industrial Council set up by the Government in 1911. Its twenty-six members, half of whom were selected to represent employers, while the other half were chosen from Labour leaders,

were to sit under a Chairman, designated Chief Industrial Commissioner, who was the successful expert mediator, Sir George Askwith.

But, while openings for pacific settlement may be thus provided, along avenues found to be thoroughfares in practice, the presence in both parties of a spirit ready for agreement and averse to strife, preferring fairness to injustice, and willing to hear and consider candid argument, is helpful or is indispensable. The reminder is not otiose when, like the authors of the Garton Memorandum, the Committee advise employers not to take advantage of an augmented output, following on an intenser effort by the men, or on their avoidance of loss of time or waste of material, to reduce standard rates of pay. Similarly, the workmen should feel bound to do their best to maintain the fame and increase the product of the business, and it is certain that they should discard a "ca' canny" slackness, which must clash with the interests of the customer no less than with those of the employer. It is "contrary to public policy." In the apt, terse language of the Garton Memorandum, "increased production, increased saving, and increased confidence are the keys to the whole problem" of the future; and, apart from other matters, the promise given by the Government to reinstate Trade Union rules calls obviously for tactful negotiation.

The succeeding Report on the replacement of men by women in industry is illuminating. It is longer, entering into fuller detail, but it is also more direct and less discursive than the report on industrial unrest. In contradiction of a fashionable impression, it seems that definite substitution of the one sex for the other in precisely the same kind of work has been limited. Although official figures, published later than those available for the Committee, show that about three-quarters of a million women, compared with the half million computed earlier, were enumerated by employers as replacing men directly, in industrial occupations, distinguished from commercial and other walks of life, the number was, approximately, only a quarter of a million. What appears to have in fact occurred, and to have been mainly responsible for the larger use of female labour, is a departure from old methods and the adoption of new processes. Work has thus been brought within the scope of inferior ability and shorter training. A large introduction of "automatic" machines has been a noticeable incident, and "dilution," as it is called, is an economy which, in this period of stress, meets continually with wider recognition. By these

means a reduced quota of skilled men can co-operate effectively with a greater number of unskilled women. The former superintend, and are assisted by, the latter. Women have indeed proved to be regular time-keepers. They have also shown a marked aptitude for "repetition" work, but hitherto they have been less satisfactory or successful where natural ability or acquired skill was needed.

In some industries, or some of their departments, newly constituted or arranged, they have probably "come to stay." Their earnings, raised greatly by the widened and enhanced demand for their services due to the war, may, it is not unlikely, remain permanently above their former level. But the problem of readjustment when demobilisation has arrived is less formidable on their account than many uncritical observers have imagined. Not a few of them, it seems, will be content, or even eager, to go back to their domestic occupations, abandoned temporarily for various reasons at this crisis. Some who will continue have not hitherto displayed, except as makeshifts, competence to replace the skilled men, who will therefore be reinstated with advantage. The alterations, moreover, introduced in modes of work, and the character of the fresh mechanical appliances employed, may, it can be conceived, permit, through a larger output at a smaller cost, the retention of additional female labour compatibly with the readmission of those members of the male sex who are able or desirous to return to industrial life. By the light thus thrown on the actual facts the Report dissipates much of the obscurity or doubt that surround the whole situation, and it has rendered opportunely a great service to administrators and economists.

A similar tribute of appreciative gratitude is due to the Committee which has investigated the effects of the war on credit, currency, and finance. Like the report just noticed, this continues and expands the work begun in the first year of the war. Nowhere else, we believe, could an account be found of the action taken, accompanied by so complete a survey and so extensive and minute an estimate, of the various consequences that have ensued. If prophecy of the future, here as elsewhere, may be insecure, the record of the past is, beyond dispute, highly instructive. Some intricate questions have received an answer more or less definitive. Some difficulties have disappeared, others have diminished in intensity.

In the first place a careful examination has been made of the increase of banking deposits which, on balance, is consider-

able. The character of the different influences at work is identified, their respective force is gauged, and their various results are distinguished. This alone is an important task to have essayed, and the effort is rewarded by noticeable success. We see how such data may mislead if they are not, as here, searchingly inspected and cautiously interpreted. To this informing scrutiny an account succeeds of the part played by the Treasury Notes. The difficult, debated, question whether their issue, enlarged as it has been since the original emission without a corresponding increase of the metallic backing, has, or has not, meant inflation, is impartially and exhaustively discussed. The numerous uncertain factors determining the net result are frankly stated, and the whole movement of the rise of prices which has occurred, and is proceeding, is judicially reviewed. Some informing commentary from foreign observers, like M. Gide in France and Professors Binaudi and Loria in Italy, on the paper currency, on the course of prices, and on the movements of the exchanges, has been included in the Report; and the statement of the last-named economist that, in effect, England at the present time has a "non-exportable gold standard," which is nevertheless "depreciated in comparison with foreign countries," may be noticed as specially interesting and suggestive. But it is easier to be dogmatic than to be correct in this region of discussion.

No less open to dispute is the topic treated next. It too has given rise to much difference of opinion. The Report refers to Professor Pigou's discrimination, in the light of economic theory, between the forms of individual abstention from expenditure which will bring final benefit and those which, on the contrary, will ultimately yield more harm than advantage to the nation at large. The nice judgment of the economist on this point contrasts with the crude exhortations of Ministers who could, if they would, enforce their words by the deed of taxation. The methods, however, of financing the war practised already by the English Government meet with keen attention from the Committee. It is difficult, or impossible, to dissent from their opinion that in the case of loans raised within the country the public should be induced, or compelled, to lend directly their own savings, and that the banks, advancing the required funds to them, or employing their deposits for the purpose, should not in their stead come to the rescue of a necessitous Chancellor who is compelled to meet from one source or another his want of borrowed funds. For the undue extension of "bank credits" is

calculated to beget a fictitious feeling of prosperity with the possible, or probable, accompaniment, or result, of inflation. For this reason Mr. Drummond Fraser's plea, to which a place is given in the Report, for continuous borrowing day by day in lieu of large spectacular loans, causing evident disturbance of the money market, possesses cogency. The Committee, without explicit reference to Germany's illusive "window-dressing" of her debt, drily remark that by the deft employment of "rotatory" processes of giving and receiving credit the amount of loans that may be raised at the present day can without exaggeration be declared to be almost unlimited, provided that the terms of issue and the methods of collection are sufficiently attractive. But we doubt whether the variation in the forms of borrowing adopted in this country, on which they comment adversely, has not on balance proved to be convenient to lender and to borrower, and raised more easily larger sums than would have been forthcoming from the alternative simpler plan proposed in the Report.

On the respective merits of loans or taxes, on the particular kinds of taxation which should be levied, and on the economic conditions that are likely to prevail at once and later when the war has been completed and peace secured, the Committee have been tempted to mingle prophecy with admonition; and, as we noted, the Report does not command the entire acquiescence of all the members in the conclusions reached and the suggestions made. But, as a whole, we would repeat, this book is a contribution of permanent value to the economic literature of the war, and the work done by the last Committee is not the least useful of its various contents. By contrast with the Garton Memorandum and the Ruskin College Conference the Economic Science and Statistics Section of the British Association may be said to "teach" rather than "preach." While the members of its Committees have not failed to take and show a lively interest in the more or less speculative "reorganisation" of industry, and of other departments of our economic life, which the uncertain future may bring, they have placed in the forefront of their mission the faithful record and the interpretation, without *parti pris* or "axe to grind," of incidents belonging to an ascertained and accomplished past. They have thus, we believe, chosen the better and more useful task; for the other alternative, though it may fascinate, is insecure. It must be largely hypothesis and guesswork even at this period of the war.

L. L. PRICE

## THE MYSTERY OF THE MEDIÆVAL DRAPER.

*The History of the Worshipful Company of the Drapers of London.* Preceded by an Introduction by the Rev. A. H. JOHNSON. (Oxford: Clarendon Press. In two volumes. Pp. x+389; xii+566. 30s. net. 1914, 1915.)

IT may sometimes happen that one passes from the many evidences of war-time in the streets into the calm and quiet of one of the halls of the old City Companies, and, if there be any receptiveness to the appeal of imagination, the reflection must come how many scenes of national and civic excitement in the past have touched these walls and have left them in their repose. So, in great measure, an excursion into the fruits of Mr. Johnson's researches upon the rise and decline of the Drapers' Company brings with it a sense of refreshment as an interlude in the strenuous events of the present time. Indeed, a study of these volumes might be cordially recommended not only on their intrinsic merits, which are outstanding, but also as a necessary intellectual corrective of the false attitude towards time and history into which we are almost inevitably forced. When great events are in the making, the measurement of time becomes almost microscopic; attention is fixed with the utmost intentness upon the smallest possible interval in which events, it may be tragic or glorious, are being transacted. Or if we turn to the history of nations, it is remarkable how historical study is being diverted to practical ends, either to afford comfort or warning. As against either tendency we have the ample canvas upon which Mr. Johnson paints events which extended over a period of more than four centuries, and it would be only a perverse ingenuity which could extract from his picture any moral of a strategic nature or which bore closely upon political events in their broader aspects.

May one say that Mr. Johnson and his publishers have caught much of the spirit of the times with which the book is concerned? There is a sentence at the end of the preface which has something of the ring of the Elizabethan age. There the author mentions that what he is publishing at present is only an instalment, and he adds: "How many more volumes may be required to complete the work I am not yet in a position to state." This in the spirit of the Adventurers of those times, which regarded a large achievement as only a good beginning. Besides the satisfying form of the volume, one notes with pleasure the happy idea of reproducing the artistic initial letters of the Charters,



Ordinances and other documents of the Company as the initial letter of each chapter. Often the work of illuminating or of penmanship is very fine, and it will be a great gain to the history of art to supplement the known work of the monasteries by that of those employed upon commercial records.

Mr. Johnson's first volume might be described as the rise of the Drapers' Company. In the second we have the beginning of the decline. In the former there is a substantial introduction, which aims at furnishing the historical setting into which the activities of the Company were introduced. An account is given of the "Communa" of London, which treats intelligently and sympathetically recent contributions towards the solution of a partially unsolved problem. The evolution of city government leads to an interesting discussion of the rise of the craft guilds. But it is clearly shown that the process was not uniform as between gild and gild, and there was much friction between victualling and non-victualling guilds and also between the handicraft and the mercantile guilds.

The first chapter is concerned with the London cloth trade in the thirteenth century. Here the point of chief interest is the actual position of the drapers in the industry. It has been stated (as, for instance, by Professor Unwin) that the drapers' craft grew out of that of the bureller, and the latter is mentioned in connection with this trade earlier than the former. There is some difference of opinion as to what the bureller actually did. Thus Professor Ashley describes him as the man who prepared yarn for the weaver, whereas Mr. Johnson derives the designation from the word "borel," a coarse kind of cloth, which appears to have declined in the fourteenth century. The term draper is taken from "draperie," and Pirenne holds that in the twelfth and thirteenth centuries the Flemish drapers superintended the whole process of making the cloth, but, according to Mr. Johnson, in London, while some of the drapers may have done this work, they appear rather to have been originally engaged in the sale of cloth, chiefly imported. This conclusion is based on an admirable and exhaustive enquiry, in which the author has examined a vast number of documents in order to find out the class of transaction in which any individual (described as a draper or known as such) was engaged, beginning at 1275, which is the first occasion upon which he has been able to identify a draper. And here one must pause to praise the method of exposition. Mr. Johnson has modestly contented himself with giving broad results in the text, indicating his method and contenting himself with illustrative

details in the Appendix. Many writers, especially in other countries, would have made a great parade of the apparatus of research so that the narrative would have been interrupted by a lengthy digression. Rather one prefers the method of giving results and leaving the method to the cordial appreciation of fellow-craftsmen. To the modern historian more than to the poet the old maxim—*ars est celare artem*—applies. After all, it is not complimentary to the intelligence of readers to explain everything and leave nothing to their imagination.

Early in the fourteenth century we find some drapers were men of considerable substance and able to furnish loans to the King. Partly for this reason, partly through interruptions in the import of foreign cloth, they were then exporting wool. Mr. Johnson thinks that as early as 1312 there was something of the nature of a gild, and they themselves claimed that their fraternity was founded in 1332, while in 1364 they secured a Charter from Edward III., which confirmed them in their monopoly of selling cloth. Much information as to the constitution of the gild is obtained from the Ordinances dated 1371 (printed i., Appendix IV.). In this connection a point of considerable interest emerges. Mr. Johnson, following Professor Unwin (i., pp. 18, 19, note 5), thinks the reason craft gilds were connected with religious fraternities was that they gained "the sentimental bond which religion gave," and also religious sanction for the oaths of members. Without actually disputing this statement, it may be suggested that the emphasis is laid in the wrong direction. As far as can be learnt, there was an immense number of social gilds established on a quasi-religious basis, and one of the most common ordinances was insistence on the oath of secrecy of the members. But, apart from their provident provisions, the majority of these gilds had nothing to do with trade. It appears that the true evolution is suggested by the ordinances of the Fellowship of our Lady of Bethlehem, which eventually became the craft gild and was incorporated. According to the ordinances of 1371, it was begun by Wm. Tytle and by other good people drapers of Cornhill and other good men and women, thus showing that the Fellowship at its reputed inception (here placed at 1361) did not consist exclusively of people of one trade. If the foundation was in fact earlier (in 1312 or 1332) it may well have happened that the gild was at first purely social. Then gradually, owing to the fact that it obtained its members in a district where many drapers lived, the latter became relatively more numerous, and almost insensibly it would pass from a social gild to a trade gild.

During the fifteenth century, despite disputes with the merchant taylors and with others who infringed the Company's monopoly, the Drapers advanced in importance, as is shown by their increased share in the government of the City, their importance amongst the Livery Companies, and this is confirmed by the evidence of Renters' and Wardens' Accounts, which are printed in Vol. I. But at the beginning of the next century—namely, in 1503—4—an Act was passed which curtailed the powers claimed by this and other Livery Companies, and was, in fact, a most important limitation of the privileges of these bodies. This measure enacted that Ordinances should be examined by specified judges (instead of by the Mayor, who was often a draper), and that no gild might restrain its members from appealing to the King's Courts.

Before leaving the first volume a few specimens of social and general interest may be culled from many. One of the Drapers' clerks seems to have been a super-Esperantoist, with a peculiar pronunciation. The following are some of his efforts: Yengke, pottashen, chobbs (for ink, potation, job—the second seems to have been written soon after the event!) We read of a Mayor who, on being elected during troublesome times, developed a convenient sickness. Speaking of Mayors recalls a curious custom of this Company. It always entertained a new Mayor, but if he were not a draper the sum allowed was 10s., whereas if he were a draper it was 40s. On one occasion when the members went to meet the King they were entertained from the Common Purse. The cost was 2s. 1d., bread being only 4d. The Company took part in many public services, and contributed money, but, in the time of Richard II., members were frequently defaulters in the payment of their contributions. The accounts afford many and interesting glimpses of the customs and ways of life of the Middle Ages. Generally speaking, great political events scarcely seem to have disturbed the even tenour of the ways of the drapers. Thus, during the revolts in the reign of Edward VI., while the Company provided men to keep a watch at Aldgate and others to dig out the ditch cut for the defence of the City, elections were held as usual, the search for "short yards" continued, and members were fined for setting foreigners to work. Like the Vicar of Bray, the fraternity was conformable to the orders of those in authority regarding religious matters, and attended Mass or a Protestant preaching as the powers decreed. When we come to the Armada year there is a change. The Livery Companies assisted in the defence of the country, and the records of the

Drapers tell us of an audience granted to the Lord Mayor by Elizabeth. The Queen made a speech, in which the following graceful compliment is paid to the citizens:—"I thancke them all for it . . . and I would be sorrie myne Lnymies should have the like subiects, for, I thincke no Prince in Cristendon hath the like or can have better." What follows is characteristic of our national temperament, which delights in mingling more than a touch of comedy with solemn occasions. The account continues, the Mayor "had kneled verie lunge and *was stiff there-with*," but this did not prevent him from delivering a speech in reply (which was certainly not short), evidently prepared beforehand, in the best style of *Euphuus and his England*, but one can imagine it would not be particularly acceptable to Elizabeth (who was described as the Mother of the People, the aged Mayor being one of her "children"), especially when one of his far-fetched metaphors might suggest that her hair was not in its original beauty! Incidentally, in places the feelings of the members sometimes peep through their records. Thus, in the lottery drawn for the building of the Royal Exchange, the Drapers were not very fortunate, and they gave only a small gratuity to the clerk of the lottery "in reward for that the Company hathe happened unto them." It is curious to read that, when the Master and Wardens were invited to dine with the Bishop of London, they took a dish of meat with them. In one direction the Drapers seem to have been optimists—namely, in the influencing of their womenfolk. In 1518-19 there was a dispute between two brethren over the will of their mother-in-law, and the Court awarded that the men should take each other by the hand as brethren and "cause their wives, the daughters of the testator, to be agreeable and content with the said award." The historian of the Company is perhaps not so hopeful. Commenting on a legacy given by Howel to the Fellowship, he says it constitutes "a warning to would-be benefactors never to leave portions to marriageable maidens, especially if they be Welsh." There is more than a spice of humour in charging a runaway servant with the cost of his own capture. The Wardens' accounts of 1557-8 would be a mine of information to Sombart if later on he should return to the study of *Krieg und Kapitalismus*. There we have minute details of the cost of providing the soldiers required from the Company. Furnishing out 60 "sadd and hable men" cost 6d. and 1s. a-piece; but this did not include uniform or arms. White coats of linen with red crosses cost 2s. 2d. each, including material and making. Arms for thirty men for the defence of Calais (of which full particulars are given) came to £2 2s. for each.

The history of the Company from 1509 to 1603 reflects the transition from municipal to national organisation, the broadening of trade and the growth of charitable activities. At the beginning of the period the rise of the entrepreneur, already known, is confirmed by Mr. Johnson's enquiries. In the cloth trade men owning capital were directing and organising production, but this function was discharged by the clothiers or clothworkers rather than by the drapers. The latter bought the cloth and marketed it. This involved more perhaps than appears, altogether apart from the exercise of the monopoly which the Company claimed. The position might be illustrated to some extent by what sometimes happens in the handling of the Scottish cottage-made tweeds in London at the present day. Some of the webs need to be stretched and finished, others require to be pressed. A few may be dyed after reaching London. Now these are just the processes that Howel was performing in 1522, and it has to be remembered that the pieces of cloth in the sixteenth century would reach the draper in a very much less perfect condition than is the case with modern hand-made tweeds, while many of them would be undyed and might be exported as such, or occasionally sent to be dyed. Also a great number of the webs of the sixteenth century would require shearing—that is, the making of an even nap on the cloth.

The extension of foreign trade led to the more wealthy drapers shipping cloth in larger quantities and other commodities as well. We find some of them becoming members of the Merchant Adventurers, the Eastland, the Russia, the Spanish and the earliest Guinea Companies. This emphasised changes both in the relation of the Company to the cloth trade and also in its internal affairs. As regards the former, the more prominent members were less dependent on the cloth trade, and this accentuated the tendency (which can be traced as beginning in the sixteenth century) for the Fellowship to be less a craft guild and to become more and more a philanthropic and social institution. Thus, even three hundred years ago, the trend towards the modern position of the body can be discerned. Within the Company the separation of the Livery from the Bachelors—that is, the distinction between the wholesale and retail traders—had become established, and the government of the society had become concentrated in the hands of the former. Mr. Johnson, however, points out (ii. Appendix) that at this period the Drapers were not such a close corporation as the prevalent opinion suggests. His method, however, is not as decisive as might have been hoped. In another direction he corrects a serious misinterpretation of the Commission

of 1884 in a manner wholly convincing, and he shows that in the majority report a considerable injustice was done to the Company. In a few directions one would be inclined to qualify or occasionally to dissent from some of the conclusions, which, however, relate to wider topics than the main theme. Writing of the year 1562, he speaks of a loan made by a member to the Company at 12 per cent. as being at "a high rate of interest," but Elizabeth was paying that rate at this period, and Mary had paid more. No doubt Mr. Johnson has in mind his previous calculation of the price paid by the Company to redeem some of its lands under the Chantry Act of 1547, which works out at 5 per cent. But it is not an uncommon phenomenon in the sixteenth and the seventeenth centuries for interest to be considerably lower in appearance on capital invested in land than in that lent to the Crown. Partly this was only so in appearance, for there was the question of fines and of increases in the rental, partly, too, the security was considered better and certainly *was* better than a loan made to James I. To say that English seamen *began* to make raids on Spanish commerce in 1572 is to post-date the event by a good many years—considerably before that time the men of Devon had found that the sea power of Spain was "a Colossus stuffed with clouts."

Mr. Johnson is to be cordially congratulated upon the success and scholarship of his stately volumes. They are admirable in every respect, and it is to be hoped that the successors of the present substantial instalment will appear in due course. They will be eagerly expected and will be much appreciated by students of social conditions in the seventeenth and succeeding centuries.

W. R. SCOTT

## REVIEWS

*The Evolution of the English Corn Market from the Twelfth to the Eighteenth Century.* By N. S. B. GRAS. (Harvard University Press, 1915. Pp. 479.)

IN an article published in the *Quarterly Journal of Economics* in 1910 the author of the above work pointed out that the corn bounty enacted after the Revolution in 1689 did not represent the triumph of a new Whig policy, but was a concession to the Tories, who had originated it in 1673. He would appear to have set out from this interesting discovery and to have worked his way back to the Middle Ages. Such a procedure, in itself a highly commendable one, would account for the fact that the more solid part of the author's scholarly contribution to the subject is to be found in those parts of his work that deal with the sixteenth and seventeenth centuries. In studies of this period the main clues to the interpretation of economic history have been far too often sought in royal or parliamentary policy, which has been regarded as the creative factor in social and economic development. Mr. Gras has followed the sounder method of regarding policy as a secondary product—a resultant of the interplay of divergent private interests with fiscal interests—which does not initiate development and may even have little positive effect upon it; and he has critically studied the successive corn policies of mediæval and mercantilist Governments in the light of the more positive economic factors, and especially in that of the development of the market.

The two main phases of that development distinguished by Mr. Gras are that of the local markets, which began to displace the natural economy of the manor in the twelfth century and continued to be the dominant feature in the English corn trade till the sixteenth century, and that of the metropolitan market, which rose to a position of dominance in the sixteenth and seventeenth centuries. In the earlier of these two phases there was trade between the localities of a given territorial area (e.g., the Upper Thames area), but not at first between the areas

themselves, so that a continuous difference can be observed between the average prices of the several areas. As production for a distant or foreign market was rare, it was the interest of the consumer that first found expression in municipal and in parliamentary policy through restrictions on the operations of middlemen and of exporters. These hindrances to the growth of a wider and steadier market were later on gradually set aside by a combination of the interests of producers for a distant market with the more enlightened interests of consumers, both demanding freer trade between districts and freedom of exportation in good years. The transition was marked by the Corn Laws of 1394, 1437, 1445, and 1463, but at the close of the middle ages, although exportation from the more productive areas with good waterways to the Continent had become common in good years, internal trade between one area and another was still exceptional.

According to the estimates adopted by Mr. Gras, the population of London increased during the sixteenth and seventeenth centuries from about fifty thousand to over half a million, or from 2 per cent. of the whole population to nearly 10 per cent. Such an unprecedented concentration of urban life made the demand of London the dominant factor in the national corn trade, but it took time for the sources of supply and the marketing agencies to adapt themselves to it, especially as law and regulation continued to restrict the activities of the middleman. Throughout the sixteenth century every period of scarcity necessitated municipal or State provision, sometimes by foreign importation. During the first half of the seventeenth century the national supply was brought into normal relations with metropolitan demand through adequate marketing agencies. After the Restoration London became the *dépôt* of a considerable export trade.

In determining the significance and the efficacy of the various measures of State policy during this period, Mr. Gras is able to substantiate his conclusions by an extensive body of statistics relating to the import and export of corn in the leading ports of the kingdom. His view is that the statutory policy of the Tudor period, though interesting as a register of public opinion, has been taken too seriously, and had little practical effect, since it could be set aside by administrative action and the grant of licences. He considers also that the effect of Government regulations in times of abnormal scarcity was to hinder transportation, to penalise the middleman, and therefore to exaggerate the prevailing stringency. The normal and really operative aspect



of Tudor corn policy lay in administrative permission or restriction of export, and the determining factor in that policy was the metropolitan demand. Export licences were granted if the needs of London had been satisfied. A twofold change is embodied in the policy of the Restoration. With the growth of parliamentary control, the normal operative policy is now a statutory policy; and with the development of a metropolitan market and of a national surplus in excess of metropolitan needs the desire of the corn producers for a bounty on export is no longer hindered by the opposition of the most articulate body of consumers.

The appendices, which form half of the book, contain statistics of production, of prices, and of the import and export of corn from the thirteenth to the seventeenth centuries, as well as a number of documents from the State papers and London records.

Professor Gay is to be congratulated upon so excellent an addition to his scholarly series of Harvard Economic Studies.

GEORGE UNWIN

*Readings in the Economic History of the United States.* By F. L. BOGART, Ph.D., and C. M. THOMPSON, Ph.D. (Longmans, 1916. Pp. xxvii+862. 9s. net.)

PROFESSOR BOGART, the author of an *Economic History of the United States*, and Dr. Thompson, an authority on the history of the State of Illinois, have produced a book of extracts drawn mainly from contemporary sources to illustrate the economic development of their country from 1600 to 1915. It is a book which to some extent does for the United States what the "Select Documents" compiled and edited by Messrs. Bland, Brown and Tawney does for English economic history—with this difference: the first document quoted in the English book is dated *cir.* 1000 A.D. and the last 1846, whereas the American editors need only deal with something like three hundred years. The documents chosen come down to a year so recent as 1914, and three-quarters of the book is taken up with the nineteenth century, so that illustrations of recent American history are very full. The remainder of the book is devoted to the colonial period and the beginnings of the new republic.

The illustrations are classified into twenty-three chapters, under such headings as "English Colonial Theory and Policy," "The Westward Movement," "Financial History, Money and Bank-

ing," "Development of Agriculture," and these are divided into several sub-headings with illustrations of each theme. The book is admirably arranged for easy reference and a teacher can find at a glance from the synopsis the illustration he may need to make the subject vivid to his class. Before each extract there is usually a short explanatory note, which includes some account of the author of the quotation. Every effort is made to present both sides of a question. On so controversial a subject as Slavery and the South, there is, on the one hand, Extract C, "Radical View on the Efficiency of Slavery," 1860, and, on the other, Extract F, "Radical View on the Inefficiency of Slave Labour." Or, to take an earlier period, Sir Josiah Child's favourable view of the "Old Colonial System" is balanced by a quotation from Adam Smith; and the Act for suppressing iron manufactures in the American Colonies is offset by an extract from the Acts of the Privy Council suppressing tobacco growing in England. The student can accordingly see that if the English Government suppressed colonial ironworks, they dealt equally drastically with their people at home, and gave the American colonists a practical monopoly of the English market for their principal export at the expense of the English farmer.

The teacher who has to deal with the economic history of the colonial period or with American development during the nineteenth century will find this book of great assistance. It seems excellently adapted for the purpose of making a class realise that the teacher is not evolving history out of his inner consciousness, but has to draw his material from opinions often contradictory and facts often difficult to interpret. The average English undergraduate for some reason finds even the exterior of Blue Books and other official documents positively forbidding. Probably the American student is not very different. The nineteenth century extracts in this book will therefore be of special value, inasmuch as they show that there is really interesting matter in official reports, that the American census is not merely an enumeration of the population, but a survey of the rapid economic changes of a decade, and that the Reports of the Industrial Commission and the Immigration Commission are documents with which the American economic student may not unreasonably be expected to have at least a nodding acquaintance. It seems ungracious to suggest criticism when the documents are so well chosen, the book so welcome and the task of selection so difficult. It seems to me, however, that the working of the economic relations between England and the American Colonies might have

received fuller or rather different treatment. In the sixteenth and seventeenth centuries it was one thing to have a proclamation or law promulgated, it was quite a different thing to have it obeyed. Even if it were put into operation, the bodies or persons through whom it was administered often interpreted it in a manner which considerably modified the original intention of the monarch or legislature. It is, therefore, indispensable not merely to have the text of a Statute, but to have some idea of its administration. Economic history cannot be divorced from administration, judicial, official or amateur. Illustrations of the difficulties of the Custom House officials in the Colonies at the end of the seventeenth century, which are furnished in abundance by the sixteen volumes of the State Papers Colonial, are not merely valuable as illustrating the difficulties in the actual working of the Acts of Trade, but are always received with joy by a class. This and many other matters could have been illustrated from the State Papers Colonial, but no extract at all is given from this indispensable source of seventeenth-century colonial history. Again, more than two extracts from the Acts of the Privy Council might have been given to illustrate the great economic significance of that body. And one would have liked some illustration of the gradual increase in the nineteenth century in the control of American railways by the Federal Government through the Inter-State Commerce Commission, as this increasing control, together with the amalgamation of the lines, is one of the most striking facts in recent American railway history. The book is so much up to date that one would have liked an illustration or two of the various attempts of the United States to control her Trusts. The experiments from the Sherman Anti-Trust Law of 1890 to the Bureau of Corporations and the Federal Trade Commission are economic measures of first-rate importance, both in regard to their failures and successes, not only for the American Republic, but also for Europe, which is equally faced with the question of devising some method by which the good side of combination may be retained while the abuses of great monopolistic corporations are checked.

A similar English book of documents dealing fully with the economic development of this country during the nineteenth century is badly needed. At present we have no accessible text-book of this nature illustrating the momentous economic developments in the United Kingdom and her Colonies after 1846. These "Readings in the Economic History of the United States" show how such a work might be compiled.

LILIAN KNOWLES

*Public Administration in Ancient India.* By P. BANERJEA, M.A., D.Sc. (London, 1916. Pp. 316+xii. Price 7s. 6d. net.)

THIS is stated on the title-page to be a thesis approved for the degree of D.Sc. Econ. at the University of London. It is the first book published on the subject, and purports to give us "all the important facts relating to the administrative system of ancient India." There are chapters on the King, on councils of State, on ministers, subordinate officials, legislation, law, finance, foreign policy, military organisation, public works, industry and commerce, and other points.

The work is based on the *Artha-Sastra* (which may roughly be translated as "manual," or "maxims of polity"), a recently discovered Sanskrit work of unknown date and authorship. Tradition ascribes these maxims to Chānakya, the minister of Chandra-Gupta in the fourth century B.C., just as the Pentateuch used to be ascribed to Moses. But the maxims constantly refer to Chānakya under the suggestive name of Kautilya ("cunning," "deception"), as if one were to speak of Machiavelli as "the Trickster." They refer also to China, and to trade in heavy stuffs between India and China; and they refer to royal mints in constant work. Neither of these was possible till long after Chānakya's time. They breathe, too, the spirit of a later time, the time in literature of the writing of manuals, and, in politics, not of a great empire like Chandra-Gupta's, but of contending States. All this does not trouble our author in the least. He has read Professor A. Berriedale Keith's masterly article in the *Journal of the Royal Asiatic Society* for January last, and quotes it. But after stating that the authorship of the "Maxims" is disputed, he proceeds to treat it throughout the book as certain. And he takes for granted that these maxims (as to what astute government should be) are good evidence as to what the administration actually was, not only in Chānakya's time, but long before and long after his time, and not only in the realm administered by Chānakya, but in all the countries throughout the vast continent of India. The naïve simplicity of this stupendous conclusion is instructive.

There is a short chapter on "Industry and Commerce." It deals almost exclusively with the action of the State. We are told, for instance, that "the Agricultural Department supervised cultivation on State lands." There is no limitation here as to date or locality, no explanation of what is meant by State lands, or of the nature or extent of the supervision; and no instance is given. Then we are told that "the treatment and manufacture

of metals was under the supervision of the State." No instances are given and no details. Once again : "The manufacture of salt and the brewing of liquors were under the direct control of the State ; both were Government monopolies." And lastly : "When merchants formed combinations among themselves for the purpose of raising prices, it was the duty of the Superintendent to fix prices."

Now all this is no doubt interesting, even as it stands. But one would like to have instances—to have details to show how these theories (if, indeed, they ever were carried into action) worked out in practice. The theories in themselves are not by any means original. They have occurred elsewhere to persons ignorant of political economy and anxious to meet obvious difficulties. Should anyone think it worth while to compare schemes which bear the same relation to political economy as astrology bears to astronomy, the speculations of the "maxims" would be useful. As evidence of what administration actually was for about a thousand years all over India they are not to be relied on ; as evidence of what the author, or authors, of the maxims thought at the time when the manual was composed, they are quite good.

The author might have given us a more useful volume if he had compared these maxims in detail with Aristotle's *Politics* and with the similar maxims to be found in the writings of Confucius. One and all they ignored the gods of the current mythologies, but it is the differences which would be more suggestive. As it is, Mr. Banerjæ gives us extracts from the writings of foreign travellers at different epochs in India, or from those of Indian poets, when he thinks they confirm the opinions expressed in the maxims.

Aristotle was near enough to early times in Greece to consider aristocratic and democratic forms of government, as well as the kingly power. The maxims belong to a period so remote from the ancient republics of India that, to their author, no power except that of a king was even thinkable. This power was despotic, mitigated by custom, and by the best advice (which, in theory, the king should always seek and follow). The best advice was the advice of Brahmins, then almost the only learned men skilled in administration. Similar causes led to similar results in mediæval Europe. They lasted even longer ; and great priest-ministers—Wolsey, Richelieu, Mazarin—might have endorsed this volume "passed by censor."

To sum up, what we have in this essay is not an account of

administration as actually practised in ancient India, but an account of the theories about administration held by priest-ministers towards the opening of the second out of three millennia of Indian history.

T. W. RHYS DAVIDS

*Khosyaistvo I Tsena*. Second part, first instalment. By Prof. P. B. STRUVE. (Moscow. 1916.).

IN the March issue of the *ECONOMIC JOURNAL* for 1916 we reviewed the first part of Prof. Struve's book, "Economy and Price" (*Khosyaistvo I Tsena*), which was published in Moscow in 1913. Now the second part of it has appeared, but not yet complete. It seems that the second part will consist altogether of seven or eight chapters with appendices and some of the more elaborate notes which the author calls "excursuses." Meanwhile, only five chapters of these are printed, and the rest will be issued later. The part now published has, however, a certain interest of its own, and may be reviewed quite independently of the chapters which have to follow it.

When reviewing the first part of "Economy and Price" we expressed the hope that Prof. Struve would explain to us in the second part what he means by prices, and whether he rejects the notion of values as a predetermining condition of prices. This hope of ours has now been realised, but only partially. We now know what he means by prices, but we still do not understand their independence from values. Prof. Struve simply brushes aside values as a psychological conception which has very little to do with economics. "Acknowledging that the general principles of the subjective theory of value have undoubtedly explained much in the psychology of the phenomenon of value, we do not think the deduction of price from subjective values is of any special importance" (p. 98). "Certainly," Prof. Struve continues, "price is a psychological phenomenon, and the formation of prices requires a psychological explanation, but such an explanation has for political economy only a preliminary importance, useful when describing facts."

It seems from Prof. Struve's teaching that the origin of price, like the origin of an old dynasty, is really of no importance. It is the actual phenomenon of price which rules supreme in the domain of political economy, and not the psychological influence which served as basis for it. Price in political economy is a "primary conception"; "regarded abstractly, it is a principal economic (in exchange) category, and concretely it is the basis of the whole

structure of economic reality, and must form the ground of every economic description" (p. 70). With Prof. Alfred Marshall he holds that *economic goods* are only those which are directly capable of a money measure—that is, which have a price. But he goes farther than Prof. Marshall, in that he includes in *economic goods* everything which is *saleable*, and not only, as Prof. Marshall defines it, "things external to a man," although at the same time Prof. Struve does not admit prostitution to be reckoned as an economic category.

In putting the phenomenon of price as the chief basis of economics, whether in theory or in practical transactions, Prof. Struve deals not only with some abstract and academical side-issue, but gives to the whole science of economics quite a new meaning. The problems of production and distribution, of profit, interest, as well as of wages, are represented in a new light as being all of them the outcome of the phenomenon of price. There is no surplus of production, except in the processes of vegetation. In manufacture there may be only surplus of value or of price. Profits are created not by some super-production, but by the higgling of the market, by the difference between the cost price and the sale price.

Says Prof. Struve, "Political economy can say no more on the nature of profit than any correctly-made-up bookkeeper's account or than Article 101 (470) of the Russian Law on the Tax on Trades," which Article is as follows:—

"Net profit which is subject to payment of a percentage of profits is held to be the difference reckoned for the past year of business between the sum of gross receipts and (the following) real expenses and deductions for the same year."

According to Prof. Struve, political economy can only, in studying the conditions of the market, explain why in one case there is derived profit and in another case there is loss. Every income which is derived, not from direct personal service, is in its essence only a realisation of the difference in prices. Whatever the form of income is, whether it is rent, interest, dividend, or profits, it can be explained by the presence of price and by such a relation of supply and demand that the seller can get more for his goods than the money he spent on them. Rent, as it is constructed in economic theory in relation to agriculture, is a result of the inequality in the expenses of production when the price is in accordance with the greatest expenditure. Such an inequality exists over the whole domain of economic enterprise, and it is the conditions of the market which decide what

level of expenses is taken as the basis of the price. If this level be less than the expenses of production, no enterpriser makes any profit, and only wages are realised. In these circumstances the capitalist is squeezed out by enterprisers who are really only workmen. Such cases happen when the methods of production are stationary, without improvements, and when the market is overstocked with goods. This was strikingly the case with the lock trade in Russia, in the Pavlovo region (Province of Nizhni Novgorod).

But once profits are the results only of differences in prices—that is, of the difference of cost and sale prices, and not of the difference in the amount of production, then what becomes of the claims of workmen to a greater share? No wonder that Prof. Struve denies any claims, speaking scientifically. "There are no abstract principles from which could be deduced the absolute amount of or the relation between whole groups of income. There is no necessity whatever that wages should be fixed at a certain standard, and still less certain are the amounts of 'rent' and 'profit'" (p. 69). But he is not blind to the fact "that a necessary condition of obtaining profit is the right of property . . . a complete abolition of private property and of the free fixing of prices will certainly change the whole position, just because it will suppress the fundamental category on which the present economic life is built, *i.e.*, the free prices, and all incomes will then be incomes by order. Economics will then take off its dress of private law and invest itself in public and administrative law. The 'system of separate business enterprises' will become the 'society enterprise'" (p. 93).

As profit is only a difference between the sale price and the cost price, there is, economically speaking, no reason whatever to differentiate between commerce and production. "The whole economic activity of every business person has for its purpose to receive more and to give less, the realisation of positive difference in prices. In the domain of natural economy (where there is no exchange) this process takes the form of subjective values. In the economic state, based on interchange and trade transactions, it is realised in the fixing of prices. Commerce is, in this respect, in no way different from other kinds of production, and is certainly as much 'productive' as all those activities which are usually denoted as 'industries'" (p. 22).

Generally speaking, all incomes, of whatever form, may be related to prices, and Prof. Struve classifies them in three groups, which he calls: (1) Direct incomes (wages, salaries, &c.), (2) in-



direct incomes (profits), and (3) derivative (interest and the owner's rent).

As every economic transaction is expressed in prices, or more exactly in certain quantities of money, political economy, in Prof. Struve's opinion, can be nothing else than bookkeeping. Using two very formidable words invented by German writers, "nomographic" and "idiographic," which simply mean "description of laws and relations" and "description of certain special objects," Prof. Struve thinks that the sphere of economic science is "idiographic" and not "nomographic"; it is more a statistical science which, if it can arrive at any generalisation, can do so only on the basis of actual commercial bookkeeping, and not by *a priori* methods of reasoning.

I do not intend to give here a criticism of Prof. Struve's conception of political economy. Some of the flaws in his theory are too obvious. • Defining price as "a primary idea" and making it the sole ruler of economic categories, he is simply imitating, though in an inverse way, the old school of physiocrats, or of their direct descendants, the "Labourites." One could point out, even in Prof. Struve's own admissions, some contradictions—for instance, when he admits the obvious fact that whatever may be the price of the unit of goods, the profit depends very much also on the quantities sold or bought, he surely by this very fact admits that the intensity of work, of labour which produces more goods, is worth more than that which produces less, and plays rather an important part in the profits derived by the enterpriser, besides the difference of prices.

However, on the whole, Prof. Struve's book is very suggestive and worth studying. In a note on p. 72 he candidly admits that many of his ideas have already been propounded by some German economists, but claims that he arrived at the same conclusions quite independently, and there is no doubt that he has built up a systematic and organic whole out of a various and incoherent mass of suggestions. The few chapters and notes yet to be published will certainly add completeness to the whole, and, perhaps, make clearer some points.

SEMEN RAPOPORT

*Zur Frage eines Zollbündnisses zwischen Deutschland und Ostro-Ungarn.* Von KARL DIEHL. Zweite, unveränderte Auflage. (Jena: Gustav Fischer. 1915. Pp. 50.)

THIS pamphlet gives a useful critical *résumé* of the varied proposals for a closer economic union between Germany and

Austria-Hungary, and incidentally touches on the wider problem of a Central European world-State, to which the striking work of Herr Naumann, reviewed in the June number of this JOURNAL, has directed so much attention. Herr Diehl has the old-fashioned German method of treating his particular problem. He gives us, by way of preliminary, a very clear statement of the older and the newest opinions of representative people on the general problem. The ideas have been developing since the days of the great List. Germany must be bigger. First, the closer union with Austria-Hungary, and sometimes the full-blown Central Europe, including the Netherlands, the three Scandinavian States, Switzerland, Italy, the Balkan peninsula, and Turkey in Europe—a Central Europe of 200 millions of people. Herr Diehl is only concerned specially with the possibility of a Zollverein between Germany and Austria-Hungary. The difficulties he considers so great that the disadvantages outweigh any possible advantages. The analysis is thorough, and the final judgment unbiassed. But although the author dismisses this particular proposal as impracticable, he indicates other modes of union which are likely to be more effective. The argument is similar to that of Herr Naumann, but the pamphlet was written before the book. At the present juncture the main interest to the English reader is comparative. How does the project of the new Central Europe compare with the project of the re-formed British Empire? The chief result of the comparison is that the question of tariff is of secondary importance.

J. S. NICHOLSON

*Summary of the Report on Condition of Woman and Child Wage-earners in the United States.* (Bulletin of the U.S. Bureau of Labor Statistics. No. 175. 445 pp. December, 1915.)

In this volume are conveniently summarised the contents of the nineteen separate reports previously issued. After the war the times will be ripe for a new inquiry into women and children's labour in our own country, and it is to be hoped that in the event of such an enterprise serious attention will be given to the model provided by the U.S. Bureau. In plan and arrangement, in the relevance of the statistics given, in the style and manner of writing, and the handiness of the volume given to the world comparisons with similar reports on the same subject issued in our own country suggest that there is considerable room for improvement at home.

The study is concerned with six main groups of industries, viz., the textile industries, clothing and sewing trades, domestic

service, the manufacture of food and beverages, other manufacturing industries, and trade and transportation. In the first four of these groups women have always been employed (as with ourselves), while the last two represent an enlargement of the industrial field. In the methods of work, however, all groups save domestic service show the far-reaching changes effected by industrial evolution. Textiles, the making of clothing, and to a considerable extent the food trades have been transformed within the last century. In all three, although in varying degrees, the women who formerly would have worked at home are now working outside their homes under factory conditions. The introduction of machinery, from the spinning jenny onwards, not only changed the conditions under which women worked in the industries affected, but by creating a fund or reserve of surplus female labour caused keen competition for employment and tended to force women into new fields. The subdivision of labour increased the number of pursuits open to them; sometimes, especially in the printing trades and cigar making, women have been introduced as strike-breakers. In these and other ways the extra-domestic employment of women has steadily increased.

In all the industries studied the youthfulness of the women employed was striking. In the southern cotton group, the glass industry, and the Pennsylvania silk group more than two-thirds of the women employed were under twenty. The proportion at twenty-five years and over is, however, sufficiently considerable to emphasise the need of vocational training for women. A proportion, varying from one-eighth to two-fifths, remains in industry over twenty-five, and among workers in miscellaneous factory industries 15·8 were aged thirty and over.

The contributions of daughters over sixteen to the family income ranged from one-fourth to two-fifths of the total family income, and in many cases they gave their whole earnings to the family, a fact "tending to show that economic necessity is the cause for the presence of these young women in the industrial world."

Especially interesting are the sections dealing with women in Trade Unions and with the relation of occupation and criminality. It is remarkable that women showed a considerable degree of activity in promoting strikes and labour organisations at quite an early period of industrial evolution. Many sporadic efforts are recorded, and indicate, as might be expected in the population of a new country, that the women possessed more initiative and independence of character than did the women at a similar stage of development in Europe. Many of these early

attempts at organisation were animated also by an intense humanitarian enthusiasm.

In more recent times there have been considerable fluctuations. From 1890 to 1900 the Unions were weak and inactive. A period of growth for two or three years was followed by one of decline to 1908, and that again by a further revival and a period full of hope and promise. "The greatest result shown by the Trade Union movement among women has been in the direction of a united stand for protective legislation."

In regard to occupation and criminality, investigation seems to show that there is little direct relation between the two. It is true that the newer industrial occupations show a smaller percentage of criminals than do the older—the traditional occupations of women. A causal relation is, however, not established. Women criminals, with a few exceptions, are usually incapable and inefficient low-grade women who are mostly uneducated, untrained, incapable of intelligent effort, and unable to secure positions in a good-class factory, office, or store where a relatively high standard is demanded. They tend to drift into the lower-grade factory work or into domestic service simply because those occupations afford an opening for the poorest sort of unskilled work. The root of the trouble is less in the work than in the kind of women who naturally take up that work.

Space forbids further quotation from this important study, which all students of women's sphere in modern industry should read for themselves.

B. L. HUTCHINS

*Outlines of English Local Government.* By John J. CLARKE, F.S.S., Lecturer on Local Government in the Liverpool High School of Commerce. (Published by the North-Western District of the Workers' Educational Association. Pp. 40. Price 6d.)

THIS is a very useful compilation of facts relating to every department of English Local Government. It explains most clearly what the various local authorities are, and accurately describes their powers and functions. The information is well arranged, and the booklet, besides being a valuable introduction to the subject for beginners, should prove useful for reference for more advanced students. It should also be a handy *vade mecum* for those who are already taking part in, or are hoping to take part in, the work of the various local bodies which it explains. Both the author and the North-Western District of the Workers' Educational Association are to be congratulated on its production.

H. SANDERSON FURNISS

## NOTES AND MEMORANDA

### RUSSIAN FINANCIAL POLICY (1862-1914).

No one can fail to be struck, even from a superficial study of Russian financial history since the outbreak of the Turkish war of 1877, by the real continuity of views which can be traced through successive Ministries. This continuity has no doubt been in part dependent on the general character of recent social evolution in Russia.

Count Reutern, who directed the public finances for the long period from 1862-1879, succeeded in maintaining the equilibrium of State income and expenditure, in re-establishing Russian credit abroad, and in encouraging the construction of Railways by placing the credit of the State at the disposal of private companies through the issue of guaranteed railway bonds. The Polish insurrection, however, and the Turkish War prevented him from completing his reforms, and he was unable to carry out his plans for the restoration of specie payments and improvement of the stability of the Russian Exchange.

The Turkish War was financed by means of domestic loans (the so-called 5 per cent. Oriental Loan), one small foreign loan (5 per cent.) raised in Berlin, and a large issue of notes by the State Bank. One of the steps taken by the Russian Minister was to have the Custom duties paid either in actual gold or coupons of the Russian foreign loan, or even French, British and German banknotes. This measure, similar to that adopted by the United States of America after the War of Secession, which the Italian and Austrian Governments also applied to their finances after the war of 1866, had two primary objects: the construction of a large gold reserve and the restriction of imports.

As has happened more than once in Russian history, the State sacrificed a source of income, notwithstanding financial difficulties, by abolishing the salt tax.

The successors of Reutern were Abasa and Greig, the latter being the grandson of the famous Admiral of Catherine II., a man of Scottish descent and a member of the Cobden Club.

Abasa very rightly endeavoured to elaborate a plan for clearing the State's indebtedness to the Bank. He obtained the Imperial sanction to a law under which notes to the value of 400,000,000

roubles, issued for the expenses of the Turkish War, should be withdrawn within eight years by yearly instalments of 50,000,000 roubles, thus following the line of policy laid down by Thiers and Léon Say in France after 1872. But, though the main part of the notes outstanding were thus withdrawn and burnt, a part remained in circulation owing to the opposition to Abaza's policy raised by commercial houses, who feared tighter rates for money and put forward the claims of increased trade. The State, therefore, paid what remained of the debt by handing over to the Bank bonds bearing interest at 6 per cent. Of these the bank subsequently disposed.

Bunge, the next Minister of Finance, who at the time of his appointment was Professor of Political Economy at Kieff and in charge of the local branch of the State Bank, brought considerable practical and theoretical knowledge to the Exchequer. He initiated modern fiscal reform in Russia, abolished the capitation tax, introduced a 5 per cent. income tax on bonds and stock, increased import duties in order to stimulate the development of the domestic metal industry, and endeavoured to prepare the way for the return to specie payments.

In the loans which he raised Bunge preferred to confine himself as far as possible to issues at par in order to facilitate their conversion. He had the honour to be chosen by the Emperor Alexander III. to initiate the hereditary Grand Duke, since become Emperor Nicholas II., into the problems of political economy; and I remember one of his letters in which he wrote that for the study of railway economics he provided his august pupil with a French translation of Hadley's *Railway Transportation*.

Wischnegradsky, also a scientific and practical man, advanced the initial stages of monetary reform a step further by increasing the country's stock of gold. He stimulated the export trade and skilfully seized the opportunity offered by the improved fiscal situation, the cessation of budget deficits, and the fall of the general rate of interest to inaugurate his great conversion of bonds from 5 to 4 per cent. He also contrived to turn to advantage the Bismarckian campaign against the Russian funds, and, relying on the growing French sympathies towards Russia, strengthened the financial relations previously existing between Russia and the Parisian Bourse.<sup>1</sup>

The campaign against the Russian credit, which the German

<sup>1</sup> In the autumn of 1887 Russia raised a first loan of 500 million francs at Paris; in May of 1889 a second of 700 million francs; in May of 1890 a third of 1,242 million francs. These loans were used for the Conversions of 5% and 4½% loans.

Chancellor made his reptile Press undertake, had a very different result from what he had anticipated. The Russian funds fell in value; the German public sold the stock which they still held; Russians, French and Dutch hastened to purchase it under the favourable conditions thus obtaining; the French sold in their turn Italian Rentes and other stock having a market in Germany; and thus, instead of depreciating Russian credit, Bismarck helped to strengthen it.

When illness forced Wischnegradsky to retire he was replaced by one of his colleagues, Witte, whose Ministry lasted for ten years. Like Wischnegradsky, Witte had obtained his knowledge of the needs and resources of the country and of its fiscal and financial problems by practical experience in the railway industry. General manager of the South-Western Railway, of which Wischnegradsky had been president, he was transferred to the Treasury, where a position was created for him as Director of Railways. This post entailed the fixing of tariffs and the conduct of negotiations between the Treasury and the railway companies. Expert as he thus was in questions affecting railways, he continued the policy of State purchase which Abasa began in 1881. He was able to bring to a successful termination that long ribbon of steel across the Russian Empire, the Trans-Siberian line, which united Europe with the Pacific Ocean. To him, too, is due the honour of having given to Russia a stable exchange and of concluding the monetary reforms. These measures, which have rendered the greatest service to Russia, demanded a peculiar clear-sightedness on the part of the Emperor, who was urged by the French and German bimetallists not to pursue the route which Witte advised him to choose.

Witte gradually extended to the whole of Russia the State sale of alcohol, which Wischnegradsky had begun in four eastern provinces, in order to combat the abuses to which the steady monopolisation of the drink traffic was leading.

The reform of the taxation of alcohol by substituting for indirect taxes a monopoly of sale was made with the alleged objects of moralising the conditions under which it was retailed and diminishing the opportunities for drunkenness and fighting against the usurious treatment of the indebted but thirsty by the publican. This reform, which could only be undertaken by a country in which the alcohol consumed is made from grain or potatoes, gave wonderful fiscal results. It did not increase sobriety.<sup>1</sup>

<sup>1</sup> In Russia, it should be noted, no indemnity has been given by the State to the publican.

It is well known how, owing to the generous impulse of the Sovereign, the Russian State has renounced its income from alcohol since the beginning of the present war, with excellent social and moral results. Without the alcohol monopoly introduced by Witte it would have proved difficult to close the public-houses so suddenly.<sup>1</sup>

The repayment of debts during the war is made with greater regularity than has ever been the case in the past. The families of peasants whose sons or husbands are in the army enjoy greater resources than they have ever known before.

A few months before the outbreak of the Japanese War Witte was replaced somewhat suddenly by the Governor of the State Bank, Pleské. Owing to ill-health, however, Pleské was only able to remain for a very short time at the head of his department, to which he brought exceptional prudence and experience and a keen sense of responsibility.

Hostilities with Japan began, and to M. Kokowtzeff was given the task of meeting the expenses of a long and unhappy war. He succeeded in arranging important foreign loans, notably, in 1904, a Parisian issue of five-year Treasury bonds bearing interest at 5 per cent. For a few months he left his post in order to accept a special mission to negotiate a loan of several hundred millions of francs raised in Paris by discounting bills of the State Bank which had been endorsed by the Russian Government. By these means he was able to reconstitute the metallic reserve and safeguard the monetary law, and emerge from the Japanese War and all the domestic troubles without compromising the gold standard. He succeeded finally in bringing the pourparlers for the great 5 per cent. loan (May, 1906) to a successful end in spite of the ill-will shown by Germany, who refused him access to the Berlin market, and floated a loan herself a few days before the Russian loan was open for subscription.

On returning to the Ministry, where he remained eight years, M. Kokowtzeff devoted himself to restoring the balance of the annual budget. He succeeded, and when he quitted his post in 1914 he left the Government in a prosperous position.

One of the interesting points of M. Kokowtzeff's policy is that he returned to the system of leaving the construction of lines which do not possess any strategic or military importance (as does that, for instance, from L'Amour or the frontier line of

<sup>1</sup> On all sides one gathers proof of the excellent results which the suppression of the drink traffic has had, on the productivity of labour, on exactitude in the execution of work, in the increase of savings, and in the improvement of public health.



Poland) to the open competition of private companies backed by the State's guarantee.

The successor of M. Kokowtzeff is M. Bark, a man well prepared for this post by his deep theoretical studies, his past services to the Ministry of Finance, and the experience he has gained as director of a department of the State Bank and manager of one of the great private credit houses. At the time of his appointment he was Assistant Minister of Commerce, and thus thoroughly conversant with the economic, commercial, and industrial needs of the country. A sufficiently heavy task has fallen to his lot—that of financing the war into which the duplicity of Germany has plunged Russia. His task, moreover, has been further complicated by the surrender of the receipts from the sale of alcohol.

M. Bark has expounded his programme in the debates of the Russian Chambers and in the memoranda which accompany the Finance Bills. It contains three principal points:—To find new taxes as quickly as possible to replace the receipts lost by the abandonment of the alcohol monopoly; to make provision for the charges arising out of the debts contracted for the conduct of the war; and to prepare ways and means for the liquidation of the extraordinary expenses.

To cover domestic expenditure, M. Bark has had recourse to taxes and loans of various forms, including the issue of banknotes backed by Treasury Bills. Taking advantage of the increase of savings due to the present sobriety of the people, he has found a new support for his credit operations in the deepest recesses of the population. He has at the same time been induced to obtain legislative sanction for an increase of the maximum legal issue of banknotes.

Russia has been compelled to purchase very large quantities of war materials, arms, munitions, rails, waggons, and locomotives at the very time when her exports have been restricted by the closure of the Dardanelles, of the Baltic, and of the Austrian and German frontiers. It has been necessary, therefore, to have recourse to credit operations abroad in order to effect the payments due by the State to Allied and neutral countries. These operations have been facilitated by the advances accorded by England and France, the outcome of a common solidarity in face of a common enemy.

ARTHUR RAFFALOVICH

THE DEMAND FOR LABOUR AS SHOWN BY RATES OF WAGES  
OFFERED BY EMPLOYERS.

THE high demand for labour in the Metropolis and the home counties during the past summer has been much in evidence in the columns of the London daily Press. These have been examined during the period June to September inclusive. Advertisements for situations take up perhaps 10 per cent. of the space devoted to advertisements for employees. In upwards of eight hundred of the latter wages are specified, though it is not the practice to do so in the majority of advertisements. It is with the rates as offered, not with the rates as paid, that we are here concerned. They are more usually offered for boys and girls than for men, and for men than for women. Wages are frequently named, however, in advertising for hands of every description in the baking trade, for hairdressers, and for carmen. These, too, are the trades in which, judging from the number of advertisements, demand for labour is strongest. Stockers rank fourth, and there is a good inquiry for dairy and milk-trade employees. On the other hand, Labour Exchanges never state wages, or, indeed, give any particulars. Piano manufacturers are evidently out to capture patronage formerly enjoyed by German firms, but these also never state wages except in one instance, where 10½*d.* an hour is offered to joiners and cabinet-makers willing to learn piano construction.

While the great majority of advertisements are for single individuals, others may be termed "mass-advertisements" for men or women in the plural without specifying the exact number required. Thus haulage contractors and a railway company advertise for labourers and jam and pickle factories for women. Consequently, though it has been easy to state the number of advertisements, it is impossible even to estimate the number of employees required, but it must be largely in excess of advertisements. Repeat-advertisements have been omitted from the calculations whenever they could be identified, but this has not always been possible, especially as the address given is sometimes an advertising agency. The consequence is that it is impossible to estimate the number of persons in receipt of a given rate of pay. But the number of times a given rate is offered to a given class of employee can be compared with the frequency with which other rates are offered, either to the same or to other classes of workpeople.

The number of offers are 401 for men, 297 for females, and

102 for lads. Only 4 boys are offered less than 10s. a week, the bottom offer being 7s. for a lather boy at a hairdresser's. Pawn-brokers' boys get 5s. to 7s. 6d., but live in, and so belong to a higher grade of pay. Then follow 46 offers between 10s. and 12s. 5d., chiefly made up of errand boys, messenger boys, and office boys, sometimes described as junior clerks; 16 between 12s. 6d. and 14s. 11d., comprising much the same callings, with the addition of laboratory boys and bar-learners in taverns, and 20 between 15s. and 17s. 6d., including several older errand boys who can work carrier tricycles. The next offers number 16 from 20s. to 25s. for junior clerks, light porters, and tricycle lads. Lastly, 22s. to 27s. is offered for lads in munition factories.

With the exception of 3s. 6d. for a milliner's apprentice, offers for girls begin about the same level as for boys—5s. and tea for cash girls and 8s. for bookstall girls. But the offers below 10s. are 26 instead of only 4. These are, however, chiefly for "learners" in various callings, such as box-making and tea-packing, and therefore hold out a prospect of advancement in something better than a blind alley. The next grade, between 10s. and 12s. 5d., comprises 19 offers, and includes errand, office, and messenger girls, and also third and fourth hands in a baker's shop. This last must relate to learners only. About £2 is offered for competent male hands. In the class 12s. 6d. to 14s. 11d. are only 8 offers, but there are 16 between 15s. and 17s. 5d. The lower grades of clerks, typists, and shop-girls, or, what comes to much the same thing, clerks in the smaller businesses, begin here. There are 22 offers between 17s. 6d. and 19s. 11d., and this class probably includes the transition stage between growing girls and adults. The class offered 20s. to 22s. 5d. numbers 13, and includes 4 shorthand-typists, a working forewoman in a box factory, and 2 printers' layers-on. There are only 6 offers between 22s. 6d. and 24s. 11d., and these are all for clerks and shorthand-typists. In the class 25s. to 29s. 11d. are 15 offers for 5 clerks and shorthand-typists and for forewomen, assistants in food shops, and a rag-sorter. Of the 16 offers between 30s. and 34s. 11d., 11 are for clerks and shorthand-typists, the remainder being for shop assistants and machinists. Lastly, there are 7 offers of 35s. for experienced shorthand-typists, 3 of 35s. to 40s. for machinists, and 2 of 42s. to 45s. for dress-cutters and designers.

Thus the highest remuneration offered to female labour is in dressmaking, shorthand-typing, and machining furs and army shirts.

For adult male labour there appear to be no offers below 25s.

Only factory hands in unstated industries, a porter, and a gardener are offered a bare 25s. Railway labourers are offered 6d. an hour and a bonus. Altogether, there are only 12 offers of less than 30s., only 3 per cent. of the total here recorded. This state of the labour-market may be compared with that prevailing twenty-five to thirty years ago, when London carmen and railway navvies received 24s. Yet here we find 6d. an hour offered by a railway company for unskilled labour, twenty-eight years after the battle for the "docker's tanner" had been fought and won. In the majority of advertisements for labourers, however, the wages offered vary between 30s. and 36s. In the class 30s. to 34s. 11d. are 116 offers, including 14 porters, 16 carmen, 11 men in the milk trade, 8 packers, and 8 stokers. The next class of 35s. to 39s. 11d. consists of 157 offers. Clerks and some skilled artisans, including motor-men, fall chiefly in this section, but it also includes 18 carmen, 17 hairdressers, 16 bakers, and a number of labourers employed in chemical and cold-storage works and in heavy loading and unloading. Of 71 offers of 40s. to 44s. 11d., 30 are for journeymen bakers, of whom there are many grades, but even third hands are offered £2, as are also the salesmen who cut and weigh meat in butchers' shops. The bulk of builders' artisans, for whom, however, advertisements are not numerous, fall within this class, as do a good many hairdressers. This class contains more artisans than the grade below, several shop assistants, very few stokers or carmen, and no labourers. At 45s. and upwards offers begin to slacken. There are 21 between 45s. and 49s. 11d., 22 between 50s. and 54s. 11d., 11 between 55s. and 59s. 11d., and 23 of £3 up to £6. Boot-makers and repairers, however, are mostly offered at least 45s., clock and watch-jobbers from 45s. to £3, and fur-cutters and fur-nailers, who, together with pastry-cooks, are among the very best paid operatives advertised for, £3 up to £5. In other callings, when more than 45s. is offered, the offer would seem to be made either to secure a picked man or else in cases of urgency. Foremen are generally offered either £2, £2 10s. 0d., or £2 15s. 0d.

It is difficult to compare the rate of pay offered by institutions with that offered by commercial firms, because board and lodging form part of the remuneration for most situations in institutions. Laundrymen, apparently non-resident, in isolation hospitals are offered 27s. to 30s.; porters for ordinary hospitals, keep and 12s. to 13s.; attendants in lunatic asylums, keep and £32 a year. Considering the risk and great responsibility attaching to the last post, and the risk of infection in isolation laundries, these

wages appear low, as do also those offered to kitchen porters in hotels.

A few points call for further remark. Only very occasionally the trade-union rate is stated to be paid. Firms known to be society houses would, no doubt, frequently apply direct to the unions concerned for hands instead of advertising. The inference may be drawn that where advertisements appear for men belonging to trades possessing powerful unions, as carpenters and engineers, for example, they are really addressed to the non-union element, and therefore the wages offered are probably not the highest in the trade. An upward tendency of wages is perceptible for bakers, carmen, and perhaps in one or two other trades towards the end of the summer, when also the demand for female labour increases, owing probably to the absorption of male labour by conscription. Wages are named less frequently in the later than in the earlier advertisements for women, but the offer of other advantages is sometimes to be met with, such as, "tea and no slack time," "the most comfortable factory in London," and so on. Similarly, prospects of advancement are frequently held out in advertising for boys. Owing perhaps to the restrictions on the use of motor spirit, the number of advertisements for carmen and others concerned with horses is surprisingly large, far larger indeed than for motor-men, and the remuneration is about as high. Higher pay for work of the same kind sometimes indicates more difficult conditions of work; the driver of a pair gets two or three shillings more than a driver of a single horse. Carmen delivering from house to house get more than carmen plying between the warehouse and the docks. The difference between the wages paid to many clerks and inferior artisans and those paid to labourers on jobs requiring men of great size and strength is not very great, but in trades requiring judgment or initiative, as watch-repairing and garment-cutting, artisans get higher wages than are paid for the supervision of labour in other departments.

C. H. D'E. LEPPINGTON

P.S.—At the end of November there was no slackening in the demand for labour, but wages were less frequently stated.

## OBITUARY.

### CHARLES BOOTH.

AT about noon on Thursday, November 23, Charles Booth died at Gracedieu Manor, his Leicestershire home for many years, and he was buried on the following Sunday at the neighbouring village of Thringstone. He had been ill in the summer, rather "vexatiously," as he wrote characteristically, "just when I had some chance of being really useful." Recently strength seemed to have been slowly coming back, but recovery was not to be. A sudden relapse was followed in a few days, very peacefully, by the end.

Charles Booth was born at Liverpool in March, 1840, and was thus seventy-six years of age. He began a business career early in life, becoming a partner in the firm of Alfred Booth and Co. at the age of twenty-two. Until early middle age he would have been regarded primarily as a man of affairs, and with practical affairs on an extending scale he was concerned all his life. But from the early 'eighties a great share of his thought and energy was withdrawn from business relationships. These were, indeed, never severed except for short and definite periods, but for many years he gave up a portion of his days and weeks to the work that has made his name famous and assured his unique position in the social history of his time. His responsibilities as ship-owner, merchant, and manufacturer—having to deal with interests world-wide in character and with definite enterprises largely subjected to his influence both at home, in the United States, and in Brazil—have tended to give their stability to his judgments and conclusions on the wider questions of industrial and social life, which became his great concern. Thus, though he looked into the blue, his feet were always on the ground; he sought truth fearlessly, but was never carried away by preconceived notions or foregone conclusions or vague imaginings.

His methods were inductive, and he found his data not only in the information which he amassed and systematised, but in a very wide personal experience. He thus applied constantly the touchstone of actualities, and he did this always with a very alert mind, with marked intellectual courage and with a nature prompted by great kindness of heart and width of sympathies. His judgments were sometimes severe, but he took no jaundiced view of human nature. He would have eschewed the title of philanthropist, but the underlying problems of society none the

less provided the motive of his distinctive work, and in later years of his practical proposals. He chose the subject of his paper, for instance, read before the Statistical Society in May, 1887, because it dealt with that "problem of poverty in the midst of wealth which is troubling the minds and hearts of so many people." It was, perhaps first and foremost, this problem which he wished to do something to measure and to weigh. In the event he has probably done more than any other man, not only to stimulate research on cognate lines, but also himself to provide the community through whatever medium it works, be it administration, or education, or propaganda, with the knowledge and the elements on which constructive policies can best be based.

Sometimes he supplemented the normal experiences of his life with something more special to the subject-matter in hand. It is needless to say that in collecting the data for his more important published works he made it his business to study and to test at first hand and in detail some of the bedrock material on which the superstructure was to be built up. He saw many of those from whom the information he sought was to be obtained. He visited constantly areas which might be under investigation. He lived, at one time for many months on a few pence a day in order to test the effects alike on health and on the purse of a highly restricted diet, and it is not without a wider significance that a "family budget" that he contributed to the collection published by the Economic Club set out particulars derived from a working-class family in Liverpool with which he was making his temporary home.

The paper referred to above was entitled, "The Condition and the Occupations of the People of the Tower Hamlets, 1886-7," and formed the first results of the London inquiry then projected. Just a year before, he had contributed an elaborate paper, also to the Statistical Society, on "The Occupations of the People, 1801-81," and the reception of this paper and the impression it made had much to do with paving the way for the much larger task which followed. The co-operation that he needed was nearly always forthcoming, be it that of a Government Department, such as that of the Registrar-General, of municipal bodies, of voluntary organisations, of individual employers or Trade Unionists or other workers, and, at later stages in the inquiry, of the clergy and ministers of all denominations, and of a great variety of social and other workers.

The great and costly work now known as "The Life and Labour of the People in London" extends to seventeen volumes. Much

of it he wrote himself, and all of it he planned and inspired. It occupied the greater part of seventeen years, and the final volume was published in 1903. Those whom he invited to work for him became his colleagues and friends. He held them in willing bondage not only by the example of his own hard work and zest, but by the simplicity of the relationships he established; by his frankness in giving and receiving criticism; and by the almost young delight which he took when some long stage was successfully reached, some difficult section finished, or perplexing tangle seen through.

The work is now arranged in three series. The first, consisting of four volumes, contains his great classification of the people, besides chapters on various special subjects, including the influx of population into London, London children, and studies of selected trades of East London that raised particular problems, such as those of "sweating" or of casual labour which were connected with the general problem of "Poverty." The second series, "Industry," comprises five volumes, the first four of which are taken up with detailed studies of every London trade, and the fifth with a series of statistical comparisons leading on to a general industrial survey. The third series, "Religious Influences," consists of seven volumes, and the whole work ends with a final volume of "Conclusion and Summary."

The first series includes the famous map of London, called the map of "Poverty," although it sets out the streets occupied by the wealthy, marked in yellow, and those of all the intermediate classes in varying shades of colour, not less than the haunts of those predominantly criminal or vicious, marked in black. The great original of the map formed a conspicuous feature in its appropriate section at the Paris Exhibition of 1901.

The map may be said to symbolise the aim of the inquiry. In giving a contemporary picture of London, historical research was not involved, although some chapters, especially those dealing with particular trades, dealt necessarily with certain questions of causation. The main question was not, however, how London had come to assume her present form, but to portray her: the people who dwell in or overcrowd the homes, who throng the streets, their occupations and the opportunities they enjoy or the disabilities from which they suffer; what administration, education, and religious organisation are doing; how work is being done and leisure used.

For the first time London was revealed intensively to itself and to the world, with its greatness and brightness not over-



looked (for the work is not merely a study in pathology), but with special emphasis laid on features that are sombre and grey. For the book had a purpose. Booth's glance was forward. He caught London in a single decade, but knew well that, like all great and progressive cities, it was organic and alive. Thus, though fully conscious of the need of closer historical and comparative inquiry, his hope was that the picture he gave and the analysis he made might be used to the greater welfare of London, that its growth might proceed on surer foundations, or, as he himself wrote in an unexpected outburst, "that the streets of our Jerusalem may sing with joy." Those who think of Booth as being indifferent to the practical aspects of a scientific problem to which during its pursuit he kept rather rigidly, misread alike the mind and the heart and the hopes of this great citizen.

Most of Booth's other publications have been connected with the practical question of what should be done to provide national pensions for the aged. On this subject he published *Pauperism and the Endowment of Old Age* in 1892, and *The Aged Poor in England and Wales: Condition*, in 1894. In 1899 he set forward his definite proposals. The qualifying age for the full pension of 7s. a week he put at seventy, but suggested that in certain cases smaller pensions should be granted at any earlier age over sixty. As is well known, he advocated a pensions scheme that should not only be non-contributory, but also universal. Although Parliament has departed in important respects from the proposals he made, his views did much to keep the question before the country until the Act of 1908 was passed. To this end he formed a committee of propaganda, and held many conferences with bodies of Trade Unionists, members of friendly societies, and others interested in the matter in hand, and his devotion to the cause of the "friendless old" greatly extended his sphere of influence, and will form one of the lasting associations with his name.

In 1905 he was appointed a member of the Royal Commission on the Poor Law, and from that year until 1907 he worked hard at his new task. In January, 1908, he resigned his seat owing to ill-health, and was unable to take part in the consideration of the report. The proceedings of the Commission afford much evidence, however, of the amount of time and thought which he gave to its work, and in 1910 he published two of the memoranda which he had submitted to the Commission under the title of *Poor Law Reform*. He advocated, as one guarantee of more specialised and thus of more appropriate treatment, a bold and comprehensive re-grouping of the administrative areas.

His last publication was a pamphlet on *Industrial Unrest, with Special Reference to Trade Union Policy*, and was issued in 1913. It is of special interest as throwing further light on his own lofty views of what employers should be and on what Trade Unions might become. The pamphlet, to some extent an amplification of views expressed in Vol. IX. of *Life and Labour*, is an instalment only, and it had been his hope to write further on the general topics with which it deals. But the pressure of other claims and a diminishing margin of strength proved insuperable obstacles. This is the more to be regretted as, although the war brought its own special strain, it quickened Booth's sense of the tasks ahead. These, indeed, became too absorbing for him, and in the summer the doctor ordered their complete abandonment. But he had looked forward eagerly to the time when he could take them up again. His hope had been to get well enough to follow both business work and wider issues, so that as he wrote he might "join in the kind of discussions that would be more and more useful as the problems shape." In a letter written a few weeks ago these problems presented themselves to him, not as excuses for shrinking or as explanations of weariness, but as "a sea of possibilities" into which he was clearly longing to plunge.

As in the immediate stress of the present crisis, so in the longer past an unfailing courage had been a most marked characteristic of his life. His attitude of mind, even less than his physical appearance, gave no key to his age. Time and stress did little to check the buoyancy of his spirit. He was "alive" almost to the end of life, receptive, keen, able to manifest in an unusual degree for a man of his years what the qualities of "enterprise," as set out in the pages of his last pamphlet, ought to mean: "forethought, guidance, the capacity to plan, the nerve to execute, the whole genius of mind and character." Thus defined, enterprise connotes, as he recognised, the "living source of human welfare and progress"; thus defined, it becomes the "dominant factor in every undertaking"; and as thus defined, Charles Booth's endowment of this quality was of the highest order.

He held strong political but, although he became a member of the Tariff Commission, not strong party views, and his position was probably strengthened thereby. He moved on a track of his own, very quietly, without the least ostentation, but persistently. To this quiet life sundry honours came. In 1904 he was made a Privy Councillor. He was elected a Fellow of the Royal Society. Cambridge University conferred the honorary degree of D.Sc., Oxford that of D.C.L., and Liverpool that of LL.D. Harvard

desired to make similar recognition, but no favourable opportunity presented for the ceremony. For the years 1892-4 he was President of the Royal Statistical Society, and his name has for some years been among the small and distinguished body of Vice-Presidents of the Royal Economic Society. He was a member of the Political Economy and of the Economic Clubs. It may be noted that Holman Hunt's later and slightly altered picture of "The Light of the World," now hanging in St. Paul's, was presented to the Cathedral by him.

In 1871 he married Mary, daughter of Charles Zachary Macaulay, and is survived by Mrs. Booth and their family of three sons and three daughters. The eldest son, a soldier by profession, and the youngest are on active service. The second son, a director of the Bank of England, who has assumed many of the responsibilities of his father, is now filling a most important position at the Ministry of Munitions. To Mrs. Booth his great book was dedicated. "My work," the words run, "now completed has been from first to last dedicated to my wife, without whose constant sympathy, help, and criticism it could never have been begun, continued, or ended at all." This dedication, reminding as it does of the double stream of his life, may fittingly close this notice of a man much beloved by his friends, much honoured by his contemporaries, and much missed by those who had come to know the goodness of his heart and the wisdom of his counsel.

ERNEST AVES

---

#### STANLEY HORSFALL TURNER

BESIDES the casualties at the Front, the war is taking a toll of life at home through the strain and pressure upon those who are doing the work of others who are serving. It was so in the case of S. H. Turner. He was Deputy-Chief Inspector of the Scottish National Health Insurance Commission; and, when the Chief Inspector, Colonel J. W. Peck, was mobilised at the outbreak of war, Turner took over a large part of the duties in addition to his own. The severe extra work told upon even a strong constitution more than he or his friends perceived, and he succumbed to a slight illness, which in other circumstances he would have shaken off in a few days.

Turner was a Yorkshire man, with the shrewdness of his native county. His coming to Glasgow as a student added something of Scottish dialectical ability. It was in the economic classes at the University that he found a study which attracted him and to which he devoted himself during the remainder of

his all too short life. The late Dr. Smart chose him, soon after the completion of a brilliant career in the University, as one of his assistants, and he found his work at Glasgow stimulating and fruitful. After a few years he went to Aberdeen as the first lecturer in Political Economy there and head of the department in that University. On the creation of the Insurance Commission he was appointed the Deputy-Chief Inspector, being one of the now considerable number of economists who have been taken from university work to serve the State. Turner was an excellent servant of the Government, and soon made for himself an unique position in the working of the Act in Scotland. He was fortunate in possessing a precise and accurate habit of mind which was particularly valuable to him in his official duties. At the same time, he had a width of view and a comprehension of wide economic issues arising out of administrative routine, which may be in part attributed to his exceptional gifts, in part to his academic training and teaching. Great things were expected of him—and he was only thirty-eight when he died.

While during the last four years his time was greatly occupied in the work of his new office, his interest in economics and education remained as fresh and keen as when he was a student and a teacher. When the exigencies of war depleted the staffs of Approved Societies, he organised Continuation Classes under the Glasgow School Board for the training of women, and men over military age, in order to fill new vacancies and to equip those in lower grades for more responsible positions. In a short time he had framed a syllabus—a matter of no little difficulty in the special circumstances—gathered a body of expert teachers, and had some three hundred students in training. Towards the close of last year he was one of those deputed by the Committee to select from the very large library of the late Dr. Smart the volumes which were to be added to the Adam Smith Library at the University, and for him it was not only a labour of love, but a real personal interest, broken with many a glance into an out-of-the-way work and frequent discussions of the relative merits of several recent writers. If he had to leave us young, there was a certain completeness in the fact that his last public work was in aiding a memorial to his old teacher by adding to the library which had been first begun by Turner under Dr. Smart's direction.

Prior to his appointment under the National Health Insurance Commission Turner was a frequent contributor to the *Journal*.

He wrote articles and reviewed books upon taxation, more especially in relation to local taxation and kindred subjects. His book upon the *History of Local Taxation in Scotland* appeared in 1908. It is interesting now to note that the concluding words of the review of Mr. Percy Ashley in the *Journal* were to express a hope that "the combined voices of the economist and administrative critic may at last receive attention"—the combination being effected not long afterwards in the person of Turner himself. He also contributed most of the articles upon economic topics in the first three volumes of Hastings' *Dictionary of Religion and Ethics*. It was his intention to publish some further papers when the press of administrative duties was diminished. His breadth of vision, sympathy, and sanity of judgment will be sadly missed in the era of reconstruction which will follow the war.

W. R. S.

---

PROFESSOR O. V. MULLER.

WE have to record with regret the death on September 29 of Mr. Oswald V. Muller, Professor of History and Political Economy at Elphinstone College, Bombay, and for many years Correspondent for Bombay of the Royal Economic Society.

Professor Muller's father was a Dane, naturalised as an Englishman at an early age. He was educated at Newquay Grammar School, Newton College, and Jesus College, Cambridge, of which he was Senior Mathematical Scholar. He graduated in 1890 as a Wrangler, but afterwards took up the study of History and Political Economy, taking honours in the History Tripos of 1891. In 1892 he was appointed to the Professorship of History and Political Economy at Elphinstone College, Bombay, which he held up to the time of his death, at the early age of forty-eight years.

At Bombay he took a great part in the lives and thoughts of his students, and was familiarly known as "the students' professor." He also took a prominent part in municipal and social life, and was decorated with the Kaiser-i-Hind Order for his services at the time of the outbreak of the plague at Bombay. As time went on, his activities in the study of economics became more restricted, although he always took much interest in the co-operative movement in India. He will be remembered, however, as one of the first of the English economists, now growing into a numerous body, who have devoted their lives and work to India, and as one of the most successful pioneers in introducing into an Indian college the spirit of the English universities.

## PAUL LEROY-BEAULIEU.

As the JOURNAL is being sent to press we learn with deep regret of the death, on December 9th, of M. Paul Leroy-Beaulieu, the founder (in 1873) and the Editor down to the present time of the *Economiste Français*. M. Leroy-Beaulieu has not long survived the tragic death of his son Pierre, which was recorded in the JOURNAL for March, 1915 (p. 150).

The younger brother of the historian, Anatole Leroy-Beaulieu, Pierre Paul Leroy-Beaulieu was born on December 9th, 1843, the son of a Prefect and Deputy under Louis Philippe. His entire life, both before and after he succeeded in 1880 to his father-in-law, M. Chevalier, in the Chair of Political Economy in the Collège de France, was devoted to the study of economic science and to its exposition in a series of works of classical reputation, in which scientific accuracy is remarkably aided by charm of style and a lucid arrangement of topics. Amongst these we may particularly mention *Recherches économiques sur les guerres contemporaines* (a series of studies, 1863-9), *Le Travail des femmes au dix-neuvième siècle* (1873), *Traité de la Science des Finances* (1877), his most celebrated work, with many subsequent editions up to a recent date, *Essai sur la répartition des richesses* (1882), and *L'Etat moderne et ses fonctions* (1899). A large part, however, of M. Leroy-Beaulieu's contribution to the thought of his time is to be found in his weekly articles in the *Economiste Français* over a period not far short of fifty years. His latest essays, in the form of weekly summaries of the progress of the war, subsequently reprinted in two volumes, dealing respectively with the first and the second years of hostilities, have been profoundly characteristic of the author in judgment and freedom from prejudice, in their clarity, and especially in their equanimity amidst private sorrow and the fluctuating fortunes of his country.

For many years a member of the Institute of France, M. Leroy-Beaulieu was widely honoured abroad, receiving the honorary degrees of the Universities of Cambridge, Edinburgh, Dublin, and Bologna, and membership of many learned bodies, including the American Philosophical Society.

WE have also to record the death of Mr. T. M. Kettle, Professor of National Economics in the National University of Ireland and Nationalist M.P. for East Tyrone. Professor Kettle, perhaps the most brilliant figure in the younger academic and political life of Ireland, fell in action with his regiment, the Dublin Fusiliers, at the age of thirty-six.

## CURRENT TOPICS.

THE following have been elected to membership of the Royal Economic Society :—

W. W. Attwood.	H. Newhouse.
J. A. Gleeson.	M. L. Tannan.
Mrs. E. M. Hubback.	P. K. Wattal.
R. K. Khanna.	L. Wiener.
F. Luke.	

At the Annual Meeting of the Royal Economic Society, which it had been necessary to postpone from its usual date in March until November, the following particulars as to the progress of the Society were reported by the Secretary :—

New Fellows elected, 1915 ...	...	...	...	87
New Libraries elected, 1915	...	...	...	13
Total	...	...	...	<u>100</u>

Losses by death, resignation, or default... 55

	At the end of the years			
	1912.	1913.	1914.	1915.
Number of Fellows and Library Members ...	576	622	706	751
Surplus of income over, expenditure for the year ...	£32	£146	£341	£327

“W. R. S.” writes :—

THE meeting of Section F of the British Association was held at Newcastle from September 5th to 9th, under the presidency of Professor A. W. Kirkaldy. The meeting (like that of the previous year) was altogether a war one. The Committees on Women's Labour and on Credit and Finance had been actively at work, as well as another, constituted at the Manchester meeting, upon Industrial Unrest. The proceedings of the section, as far as these relate to phenomena connected with the war, have been printed and were issued in volume form under the title of *Labour, Finance and the War* [reviewed above]. Since the Committee on Credit and Finance urged the advantage of practice rather than precept in national economy, the organising committee felt itself bound to set an example, even if only in a small way. Thus, instead of printing the reports of committees twice (as had been the case last year)—namely, once in *Credit, Industry and the War* and again in the *Transactions*—it was determined to issue these reports

only in the volume published on behalf of the section by Messrs. Pitmans; while the work of the section in the *Transactions* is represented by short abstracts. Also it was felt that the sectional volume should be issued at the meeting; and, although this prevented a final polishing of the concluding parts of some of the reports, it undoubtedly contributed to the success of the meeting.

The proceedings grouped themselves under four heads. The first place was assigned to analyses of certain conditions of labour and problems arising out of them. The presidential address dealt with industry after the war, more particularly with means for the promotion of industrial peace. This was followed by a discussion of the report of the Committee upon Industrial Unrest. Perhaps the most significant fact in the constitution of this body was the presence of prominent manufacturers and labour leaders, who took a great interest in its deliberations, such as Sir Hugh Bell and the Right Hon C. W. Bowerman. The second day was assigned to another group of questions connected with Labour. First came a discussion of Land Settlement by Mr. C. Turnor, which was followed by an address upon this subject by Earl Grey. Afterwards the report of the Committee upon Women's Labour was discussed. The whole of the third day was devoted to the report of the Committee upon Credit, Currency and Finance, which was remarkable as embodying not only the views of British economists, bankers and members of finance houses, but also as containing the views of distinguished contributors from Allied and neutral countries. Professor Gide represented France, and Professors Loria, Einaudi, and Supino, Italy. Mr. S. Metz dealt with foreign exchange from the point of view of the United States. The untimely death of Professor Waxweiler deprived the Committee of his aid as a representative of Belgium, while postal delays made it impossible to secure the views of Russian colleagues which had been hoped for. Professor K. Wicksell (Sweden) took part in the discussion of the Report.

The fourth day (the Saturday) was allocated to more miscellaneous matter, which was also of importance. A paper by Sir Richard Burbidge (who was unable to be present) was read by Dr. Hunter, of Messrs. Swan, Hunter and Co. Finally, the Committee upon Fatigue from the Economic Standpoint presented a further instalment of its report.

On the whole the meeting was one of very great interest. As is usual now, time for adequate discussion was often wanting; and, had not the more important work been printed, this would have been a serious disadvantage. There were many who doubted



the expediency of continuing these meetings during the war, but the work of the economic section shows that, even during the present abnormal circumstances, something can be done to justify the existence of the section, partly in the interpretation of the difficult economic conditions of the present and partly in aiding the formation of a sound public opinion upon the problems which these conditions are likely to produce in the future.

## RECENT PERIODICALS AND NEW BOOKS.

### *Quarterly Review.*

OCTOBER, 1916. *English and German Banking.* English banking is intended to provide temporary accommodation for sound businesses, but not to take the place of capital. Internal bills are falling out of fashion, producers preferring fixed periods of open credit. "The German bank is a combination of all the services rendered in England by banks, investors, accepting houses, discount houses, underwriters, stockbrokers, and bond-dealers." English banks compare favourably with German in war time.

### *Edinburgh Review.*

JULY, 1916. *A Commercial League of Defence.* EDITOR. Old controversies must not prejudice the new problem: how to prevent Germany from obtaining by commercial means power directed to military ends. Mere import duties, as M. Hauser shows, are no safeguard against "penetration." Caution is inculcated by the fiasco of the Sugar Convention in 1892, when the British consumer gave up £8,000,000 to secure £250,000 for the West Indian producer. Each case must be treated on its merits. Thus the German protection of the dye industry should be met by a bounty.

OCTOBER, 1916. *The Welfare of Factory Workers.* DR. A. SHADWELL. Welfare work under other names was initiated by good employers in the past. Their tentatives were consolidated by factory legislation. Humane treatment of workmen has been prompted by its conduciveness to efficiency as well as sympathetic motives. The two aims concur in munition factories.

*Population and the Land.* A. W. ASHBY. With reference to the two problems that Great Britain shall become more of a self-supporting country and that a greater part of the population shall be employed on the land, the causes of agricultural depopulation are exhibited by one who seems to have a knowledge of country life that lends weight to his opinions; for instance, his denial that the existing type of rural education has been a cause of migration. His ideal is an organisation of production to secure the greatest output per man.

### *The Political Quarterly.*

SEPTEMBER, 1916. *Financial Theory and the Distribution of War Costs.* J. H. JONES. Theories until recently misapprehended show that future production is not likely to be much impaired by the expenditure on war. Distribution would be improved if a

larger percentage than 60 per cent. was levied from excess profits, and if our second loan had been issued at a lower rate.

*The Civil Service and Women.* DOROTHY M. ZIMMERN. The war brought into the Civil Service more than into other occupations women previously unoccupied. Women have been sometimes set to tasks for which they are specially suited, such as investigating the claims to separation allowances made by the dependants of soldiers and sailors. But there has been much maladjustment. There should be a committee of inquiry to determine to what positions and under what conditions women should be appointed.

### *The Round Table.*

DECEMBER, 1916. *The Comparison of German and English Banking, Reconstruction (after the War), The Commonwealth of Industry* (formed by a reconciliation between employers and employed) are among the large topics comprehensively handled in this number.

### *Journal of the Royal Statistical Society.*

JULY, 1916. *The Recent Trend of Population in England and Wales.* SIR J. A. BAINES. *War and National Vital Statistics, with Special Reference to the Franco-Prussian War.* J. W. NIXON. *On the Mathematical Representation of Statistical Data.* F. Y. EDGEWORTH. *The Increase in the Cost of Food for Different Classes of Society since the Outbreak of War.* FRANCES WOOD.

### *The Women's Industrial News.*

OCTOBER, 1916. *The Shorter Working Day.* PAGE ARNOT. *Women Clerks in War Time.*

### *Bankers' Magazine.*

OCTOBER, 1916. *The Great Commercial Banks of Germany.* SIR R. H. INGLIS PALGRAVE. *The Banking Half-Year in Canada.*  
NOVEMBER, 1916. *The Proposals for a British Trade Bank. Bank of the Netherlands, 1915—1916.*  
DECEMBER, 1916. *Trade Bank Proposals.* G. H. POWNALL. Presidential address to the Institute of Bankers.

### *Indian Journal of Economics.*

APRIL, 1916. *Co-operative Distribution in Northern India.* A. C. CHATTERJEE. The co-operative movement shows progress in agriculture, not so in business carried on in towns. *Thoughts on India's Economic Position.* MANOHAR LAL. Why has India been unprepared for the new conditions caused by the war? Owing to want of modern enterprise, to poverty, evidenced by the fact that the average income is but thirty rupees per head, and has not risen—though prices have—in recent years; to want of balance between agriculture and industry, and want of two main resources—coal and iron.

*The Relation of Economic Science to Social Progress.* PROFESSOR H. STANLEY JEVONS. Economic science cannot be

demarcated from that wider philosophy which deals with the ends of human action. Three ends are distinguished in the author's original view: the mercantile, the religious, and the utilitarian end. The first comprises the stability of the State and many of the objects pursued by the mercantile system—e.g., it would prescribe for India a light and temporary protective duty, with active Government assistance in favour of certain industries. In case of a conflict between the three ends, is the third the greatest? Should the gratification of race pride, the advantages of true religion, be subordinated to the common happiness of humanity, as defined by Sidgwick? Or is there no common basis for the comparison?

*State Aid to Industries.* PROFESSOR P. MUKHERJI.

*Quarterly Journal of Economics* (Cambridge, Mass.).

AUGUST, 1916. *The Federal Banking System in Operation.* O. SPRAGUE. The expert writer describes in detail the satisfactory progress of the system introduced in 1914. *Fox Farming in Prince Edward Island.* A. B. BALCOM. Breeding foxes for the sake of their fur was started recently in Prince Edward Island. Companies were organised capitalising foxes at from \$15,000 to \$20,000 a pair, the natural value, based on the prospect of progeny, being about doubled by the operations of "promoters." Though the war has depressed the market, the stock owned amounts to some \$20,000,000; a value derived from the fur to be yielded by the progeny of the 3,000 silver foxes now owned.

*The Theory of Differential Rates.* G. P. WATKINS. "The writer can see little significance in the familiar contrast between so-called 'cost-of-service' and 'value of service' theories. Differentiation favours maximum service to the public. 'There is no natural tendency to uniformity in price.'"

*Fire Insurance Rates: Problems of Co-operation, Classification, Regulation.* ROBERT RIEGEL. *Chinese Finance under the Republic.* A. P. WINSTON.

• *The American Economic Review* (Boston).

SEPTEMBER, 1916. *Factors in American Mortality.* LOUIS I. DUBLIN. The lowest mortality rate in the population of New York is among the native born of native parentage. The foreign born and their native born offspring, especially the Irish, have a higher mortality. *Collective Bargaining, &c.* LEO WOLMAN. An agreement between employers and employed which has worked well. *Bases of Valuation.* JOHN BAUER. *Marketing, Farm Produce, &c.* B. H. HIBBARD and ASHER HOBSON.

• *Annals of the American Academy* (Philadelphia).

SEPTEMBER, 1916. This number deals with *New Possibilities in Education.*

*Political Science Quarterly* (New York).

SEPTEMBER, 1916. *Allowance for Working Capital.* J. BAUER. *Fetter's Principles of Economics.* G. WHITTAKER.

*Journal des Économistes* (Paris).

- AUGUST, 1916. *La Finance internationale*. YVES GUYOT. *Les Forêts de la Russie*. W. FAAS. *Les Ports maritimes de France en 1914 et 1915*. A. PAWLOWSKI.
- SEPTEMBER. *Les Chemins de Fer et la Guerre*. I. D. BELLET. *L'Allemagne et le Commerce international des Métaux*. A. RAFFALOVICH. *Les Ports français pendant la Guerre*. A. PAWLOWSKI.
- OCTOBER. *Leçons du Passé*. Y. GUYOT. *Le Maroc économique*.—I. F. BERNARD. *L'approvisionnement de Paris*. G. SCHELLE. *L'emprunt de 1916*. A. BARRIOL. *Les Finances de l'Empire Allemand*. A. RAFFALOVICH.

*Revue d'Économie Politique* (Paris).

- JULY-AUGUST, 1916. *Le Commerce Extérieur de la France avant et après la Guerre*. E. VILLEY. In the light of past experience there is recommended a liberal customs tariff with a system of commercial treaties with allied and friendly nations from which Germany shall be excluded for a long time. The trade between Germany and France will be greatly reduced, with no great loss to France. *L'Émigration française jusqu'au XVIII<sup>e</sup> Siècle*. B. GONNARD. The first two chapters of a work which the author had begun to write before the war, and is prevented by the war from completing. *Le Change franco-suisse et le Rôle des Ecus*. J. BOURDON. The depreciation of French money in relation to Swiss has disadvantages which might be reduced by sending five-franc pieces to Switzerland. Another suggestion is to give the Bank of France a monopoly of change operations after the German plan.

*Giornale degli Economisti* (Rome).

- AUGUST, 1916. *Problemi finanziari della Guerra*. A. CABIATI.
- SEPTEMBER. *L'indice di variabilità*. U. RICCI. A study on the measurement of the dispersion or spread, as shown by frequency curves, for which purpose the first power of deviation taken positively on both sides of the mean is preferred. Pareto's income curve is criticised. *La politica commerciale italiana XII*. A. FRASCHETTI.
- OCTOBER. *La politica commerciale italiana*. A. FRASCHETTI. Continued from preceding numbers. *Germanesimo ed Americanesimo*. P. N. MASSERERO. *La Pressione tributaria sulle Società per Azioni in Italia*. B. GRIZIOTTI.

*La Riforma Sociale* (Turin).

- MAY-JUNE-JULY, 1916. The supplement to this number contains the annual review of Italy's economic life.

## NEW BOOKS.

*English.*

BANERJEE (DR. PRAMATHANATH). •Public Administration in Ancient India. London: Macmillan. 1916. Pp. 316.

[“A thesis approved by the University of London for the degree of D.Sc. Econ.” The period dealt with is the millennium from 500 B.C. to 500 A.D. Reviewed above.]

GEBHARD (DR. HANNES). Co-operation in Finland. Edited by L. Smith-Gordon. London. 1916.

GILBRETH (FRANK B.) and GILBRETH (LILIAN M.). Fatigue Study. London: Routledge. 1916. Pp. 159.

GIRAULT (ARTHUR). The Colonial Tariff Policy of France. (Carnegie Endowment for International Peace.) Oxford: Clarendon Press. 1916. Pp. 305.

[The author is Professor of Political Economy at the University of Poitiers.]

GRUNZEL (DR. JOSEF). Economic Protectionism. • (Carnegie Endowment for International Peace.) Oxford: Clarendon Press. 1916. Pp. 357.

[A plea for protection.]

JACK (J. C.). The Economic Life of a Bengal District. Oxford: Clarendon Press. 1916. Pp. 158.

MADSEN (A. D.). The State as Manufacturer and Trader. An Examination of Government Tobacco Monopolies. London: Fisher Unwin. 1916. Pp. 282.

MAEZTU (RANURO DE). Authority, Liberty, and Function in the Light of the War. London: G. Allen. Pp. 288.

MORE (ADELYNE). Fecundity *versus* Civilization. A contribution to the study of over-population as the cause of war and the chief obstacle to the emancipation of women, with special reference to Germany. With an introduction by Arnold Bennett. London: G. Allen and Unwin. 1916. Pp. 52. 1s.

[This pamphlet should be read with its predecessor, *Militarism versus Feminism*, published anonymously, but now acknowledged by the author. There it is argued that militarism leads to the subjection of women; here that “the mad fertility race” between nations leads to militarism.]

MUKERJEE (R.). The Foundation of Indian Economics. London: Longmans. 1916. Pp. 515.

WEBB (SIDNEY) and FREEMAN (ARNOLD). Great Britain after the War. London: George Allen and Unwin.

[The reader is assisted to answer many interesting questions concerning demobilisation and reconstruction; for instance, as to paying off the National Debt, “Is there any way in which this can be done except by conscription of wealth, e.g., in the form of a levy of 10 per cent. per annum on capital values?” . . . “How much will it cost the Exchequer to encourage child-bearing by preventing it from having almost penal consequences in the household of the thrifty artisan and others?”]

WELCH (CHARLES). History of the Cutlers' Company of London and of the Minor Cutlery Crafts. London: Printed privately for the Cutlers' Company. 1916. Pp. 372.

### *American.*

BROWN (H. GUNNISON). Principles of Commerce. New York: Macmillan Co. 1916. Pp. 207.

ELY (R. T.). Outlines of Economics. (Revised and enlarged.) New York: Macmillan Co. 1916. Pp. 700.

EUROPEAN ECONOMIC ALLIANCES.—A compilation of information on international commercial policies after the European war and their effect upon the foreign trade of the United States. Also an analysis of European and united commercial interdependence and treaty relations. New York: National Foreign Trade Council. 1916. Pp. 118.

[A useful analysis of facts and opinions.]

GROAT (DR. GEORGE GORHAM). An Introduction to the Study of Organised Labour in America. New York: The Macmillan Co. 1916. Pp. 494.

HUSE (CHARLES P.). The Financial History of Boston. Cambridge, Mass.: Harvard University Press. 1916. Pp. 385.

[A study of the financial development of the City of Boston from 1822 to 1909.]

MOULTON (H. G.). Principles of Money and Banking. Chicago: University Press. Pp. 502. 12s. 6d.

[The sub-title, "A Series of Selected Materials, with Explanatory Introductions," well describes this interesting attempt to combine the advantages of a text-book and of collateral headings.]

THOMPSON (CLARENCE B.). Scientific Management. A Collection of the more significant articles describing the Taylor system of management. (Edited by C. B. Thompson.) Cambridge, Mass.: Harvard University Press. 1916. Pp. 878.

WRIGHT (PHILIP Q.). The Enforcement of International Law through Municipal Law in the United States. (University of Illinois Studies.) Urbana: University of Illinois. 1916. Pp. 264. \$1.25.

### *Italian.*

BARASSI (L.). Le associazioni professionali. Milan: Società editrice libraria. 1916.

DALLA VOLTA (R.). La teoria moderna del valore economico. Mantua. 1916.

LORIA (A.). Il salario. Milan: Vallardi. 1916.

### *Spanish.*

ALBA (D. SANTIAGO). Un programa económico y financiero. Madrid: M. Seruet. 1916. Pp. 241.

[Two recent addresses to the Senate and to the Cortes by the Minister of Finance, introducing a number of economic and financial measures—*projectos de ley*.]

PRINTED IN GREAT BRITAIN BY  
RICHARD CLAY AND SONS, LIMITED,  
BRUNSWICK STREET, STAMFORD STREET, S E.,  
AND BUNGAY, SUFFOLK.





